## SALES & EARNINGS

| Company | Period Ended | Current Sales* | Year-Ago Sales* | % Change | Current Earnings* | Year-Ago Earnings* | % Change |
|---|---|---|---|---|---|---|---|
| Homecrafters Warehouse | 4/30-1st qtr. | $ 36,528 | $ 22,950 | 59 | $ 215 | $ 226 | −5 |
| Pay 'N Pak | 5/31-1st qtr. | 74,437 | 53,885 | 38 | 2,386 | 1,568 | 52 |
| Payless Cashways | 5/26-2nd qtr. | 301,266 | 263,450 | 14 | 11,554 | 12,013 | −4 |
| Scotts Seaboard | 4/28-1st qtr. | 9,270 | 8,290 | 12 | 19 | 156 | −88 |
| Standard Brands Paint | 4/29-1st qtr. | 77,819 | 67,710 | 15 | 4,624 | 3,513 | 32 |

*$ in thousands

Source: Company reports

## STOCK PRICES

| | | As of 6/26 | 52-week | | P/E Ratio |
|---|---|---|---|---|---|
| | | | High | Low | |
| Boise Cascade (NYSE) | | 34½ | 45 | 32⅝ | 14 |
| Edison Bros. Stores (NYSE) [Handyman, Homer's] | | 34¼ | 46¾ | 33¾ | 7 |
| Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley] | | 5⅜ | 19½ | 4⅞ | — |
| Forest City (AMEX) | A | 15½ | 20⅛ | 12½ | 30 |
| | B | 15½ | 20½ | 13 | 30 |
| W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard] | | 42⅜ | 50⅜ | 36½ | 12 |
| Home Depot (NYSE) | | 22¼ | 31¾ | 14 | 45 |
| Lowe's (NYSE) | | 21⅛ | 32¼ | 17½ | 14 |
| Michigan General (AMEX) [Diamond Lumber] | | 5 | 14 | 4⅝ | 26 |
| Pay 'N Pak (NYSE) | | 15¾ | 23 | 12¼ | 14 |
| Payless Cashways (NYSE) [Furrow] | | 16½ | 33⅞ | 15 | 13 |
| Scotty's (NYSE) | | 13⅛ | 18⅜ | 13 | 10 |
| Southwest Forest Industries (NYSE) [Knox Lumber] | | 18⅝ | 22½ | 12¼ | — |
| Standard Brands Paint (NYSE) | | 18⅞ | 27⅜ | 17⅛ | 11 |

### Nasdaq—over-the-counter stocks

| | | As of 6/26 | 52-week | | P/E Ratio |
|---|---|---|---|---|---|
| | | | High | Low | |
| Color Tile | | 14¼ | 19¼ | 13⅝ | — |
| Hechinger | A | 18 | 24¼ | 13½ | — |
| | B | 18 | 24½ | 14 | — |
| Homecrafters Warehouse | | 12¼ | 17½ | 11¾ | — |
| Pay 'n Save | | 16½ | 29¼ | 14⅜ | — |

### Over-the-counter stocks

| | As of 6/26 | | 52-week | |
|---|---|---|---|---|
| | Bid | Asked | High (Bid) | Low (Bid) |
| Erb Lumber | 18½ | 20 | 25¼ | 16 |
| Hines Lumber | 35 | 37 | 41½ | 25 |
| Home Centers of America | 9⅛ | — | 15½ | 6⅜ |
| National Lumber | 6¾ | 7¼ | 13¼ | 5¾ |
| Scotts Seaboard [Scott's] | 2¼ | 3 | 5 | 2 |
| Wolohan Lumber | 4¼ | 4⅜ | 9¾ | 4⅛ |

## FINANCIAL NEWS

## Pay 'N Pak's remerchandising boosts sales 29% at older stores

KENT, Wash. — Pay 'N Pak's warehouse-store conversions and its recently completed remerchandising program, which brought lumber and building materials to all units (*NHCN*, May 23, 1983), helped to boost store-for-store sales by 29% at its outlets three years old or more during the company's first quarter ended May 31, officials said.

The store-for-store increase contributed to a 38% gain in revenues at the 102-unit chain to $74.4 million and a 52% rise in net income to $2.4 million in the period from year-ago figures.

The chain's gross profit fell from 37.1% a year ago to 34.8% in the most recent quarter.

During the quarter, Pay 'N Pak increased its warehouse-store count to 10 by opening new units in Modesto, Calif. (*NHCN*, March 26), and Honolulu (*NHCN*, June 18) and by converting three units in the San Jose, Calif., area and one in Seattle to the warehouse format. The company also relocated a unit in Eugene, Ore., converting it to a warehouse store in the process.

Officials are planning the conversion of eight more outlets, including those in Santa Clara and Sunnyvale, Calif., Fairbanks, Alaska, Grand Junction, Colo., Billings, Mont., and Casper, Wyo., to the format and the opening of two new warehouse stores in the San Francisco area by the end of fiscal 1985 next February.

"Warehouse-type units are doing extremely well in our type of business, and that is why we are emphasizing that phase of the company's development," chairman David J. Heerensperger said.

## *Expansion advances Homecrafters' sales 59% to $36 million*

BIRMINGHAM, Ala. — Substantial increases in sales at its 34 combination retail/builder stores and continued warehouse-store expansion helped Homecrafters Warehouse increase sales by 59% to $36.5 million in its first quarter ended April 30, chairman and president Georges A. Hanzi said.

"Our first-quarter results were significant and exceeded our expectations," he said. "The performance of the combination retail/builder stores was very strong, reporting a 41% sales increase and a 71% increase in store profit before home office overhead."

The combination-store performance helped to keep the decline in the company's net income to $214,628, down 5% from a year ago.

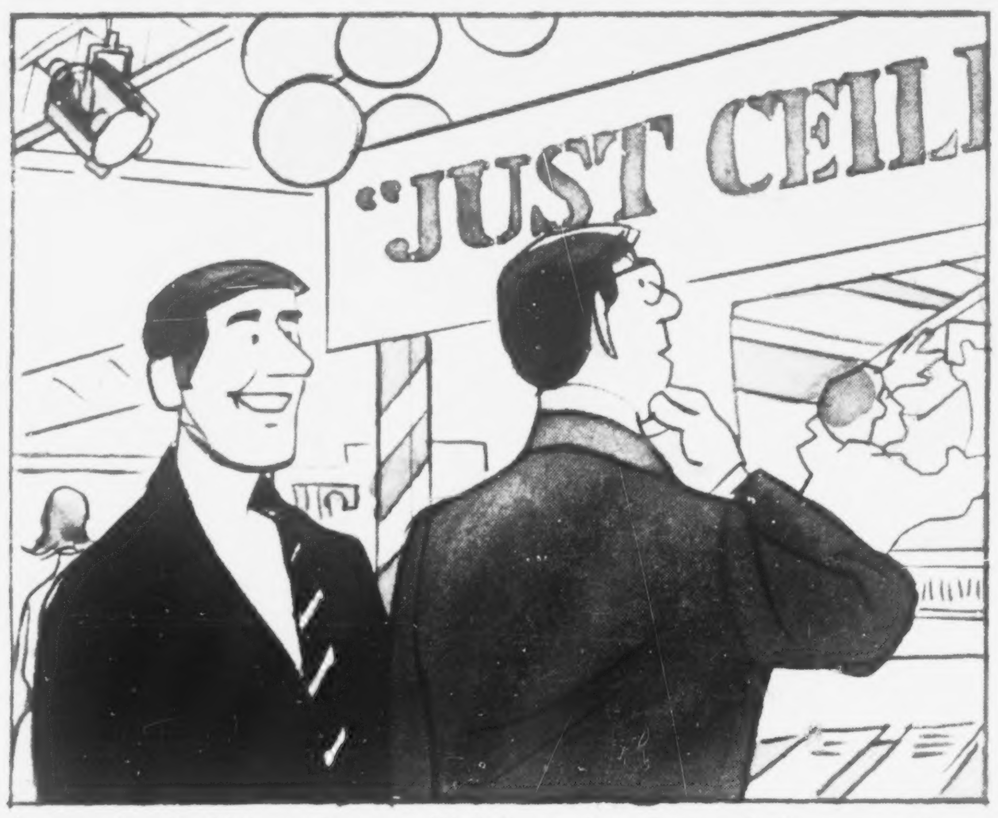
The drop emanated from a more than $400,000 charge against earnings for preopening expenses associated with warehouse-store openings and a more than $100,000 charge for data processing expenses connected to a new in-house computer system.

Since acquiring 36 stores, including two warehouse outlets in Memphis, Tenn., from Union Camp, Wayne, N.J., earlier this year (*NHCN*, Feb. 27), the company has opened an additional warehouse unit in Memphis and its first in Denver.

Officials plan to open another Denver warehouse and two Nashville, Tenn., warehouses this summer.

Regarding the chain's conversion from service bureau data processing, officials said they now operate a point-of-sale system with full stock-keeping-unit control.

In another development, Homecrafters Warehouse is now listed on the NASDAQ national market system. Hanzi said the inclusion of the chain on the over-the-counter system provides investors with continuous transaction data.



I see you're checkin' out "Just Ceilings."

*Well. I'm curious. Back in Indiana, my ceiling profit margins are pretty narrow.*

"JUST CEILING

You're sure lookin' in the right place. Gold Bond "Just Ceilings" in my stores in Georgia make a real difference in my profits.

*But, I've got the big name in ceilings in my stores.*

"JUST CEILIN

Look, Gold Bond's "Just Ceilings" are attractive and low-priced, and — get this — targeted to consumers who want value for their hard-earned dollars.

*That means no expensive slow-turners to bulge out my inventory.*

"JUST CEILINGS

Right, ceilings that sell. Plus, sales support, targeted promotions, co-op advertising, merchandising . . . all from Gold Bond.

*I'm glad we talked. "Just Ceilings" sounds just right.*

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CLAP!
CLAP!
CLAP!
CLAP!
CLAP!
CLAP!
CLAP!

Now talk to your Gold Bond sales rep and see how you can have ceiling profits you can really look up to.

*Count on it!*

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## FUTURES

Two weeks ended June 21, 1984

| | High | Low | Close | Previous Week | Open* Interest | Contract High | Contract Low |
|---|---|---|---|---|---|---|---|
| **LUMBER** (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft. | | | | | | | |
| July '84 | 139.00 | 128.80 | 132.40 | 138.70 | 2,530 | 252.50 | 128.80 |
| Sept. | 151.20 | 139.50 | 139.90 | 151.10 | 2,552 | 236.00 | 139.50 |
| Nov. | 157.00 | 146.20 | 146.30 | 156.00 | 1,635 | 229.00 | 146.20 |
| Jan. '85 | 165.10 | 154.10 | 154.30 | 164.50 | 530 | 221.30 | 154.10 |
| March | 173.20 | 162.50 | 162.50 | 171.50 | 248 | 220.40 | 161.00 |
| May | 178.70 | 168.00 | 168.00 | 176.00 | 166 | 225.00 | 167.00 |
| July | 184.40 | 173.00 | 173.30 | 182.00 | 155 | 230.50 | 170.50 |

**Total Contract Vol. (Through 6/21): 21,590** — **Previous Two Weeks: 21,185**
**Total Open Interest (As of 6/21): 7,571** — **Previous Week: 7,696**
**Cash Price: $134.24** — **Previous Week: $136.22** — **Year Ago: $227.36**

| | High | Low | Close | Previous Week | Open* Interest | Contract High | Contract Low |
|---|---|---|---|---|---|---|---|
| **PLYWOOD** (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft. | | | | | | | |
| July '84 | 179.00 | 175.20 | 179.00 | 177.50 | 48 | 210.00 | 173.00 |
| Sept. | Nominal | | 183.00 | 183.00 | 3 | 212.50 | 177.50 |

**Total Contract Vol. (Through 6/22): 12** — **Previous Two Weeks: 59**
**Total Open Interest (As of 6/21): 51** — **Previous Week: 54**
**Cash Price: $184.24** — **Previous Week: $183.26** — **Year Ago: $203.80**

| COMMODITY RESEARCH BUREAU INDEX: | This Week | Previous Week | Year Ago |
|---|---|---|---|
| | 231.7 | — | 249.5 |

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, June 21.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

## LUMBER REPORT

# Lumber suit settled after 16 yrs; plaintiffs to divide $156 million

NATIONAL REPORT — Letters of notification are now being sent to dealers who might potentially share in the $156 million settlement of the industry's 16-year-old plywood antitrust suit.

The letters were to go to individuals and companies that purchased plywood from any of the more than 30 defendant manufacturers during the period of Feb. 23, 1968, to Dec. 31, 1973.

The case involves allegations that, during this period, certain plywood manufacturers conspired to set freight costs, which had the effect of reducing competition.

Settlement was finally achieved out of court last year, shortly before the Supreme Court was to consider a technical point in the proceedings.

As part of the settlement, the plaintiffs have the sales records from most of the defendants, which show who purchased plywood and how much. The notification letters will be sent to names on these lists.

"If a notice goes to a company, the company is going to get money," said Jim Goldberg, general counsel for the National Lumber and Building Material Dealers Assn.

Only direct purchasers of plywood are eligible. If the material was obtained by a retailer through a wholesaler, then the wholesaler could be eligible for remuneration under the settlement agreement, not the retailer.

In any case, money received as part of the settlement will not be for the full purchase price of the plywood but rather for the freight overcharge, since that was the basis of the suit.

In instances where producers' sales records are not available, a dealer seeking to participate in the settlement will have to produce his own documentation.

Where manufacturer's records are available, letters will be sent to each customer involved. In other words, dealers or wholesalers who received plywood from multiple sources, during the period covered in the suit, should receive more than one letter of notification.

Dealers are expected to review these notices since, according to a deputy court clerk in U.S. District Court, New Orleans, supplemental claims may be filed if there are areas of disagreement.

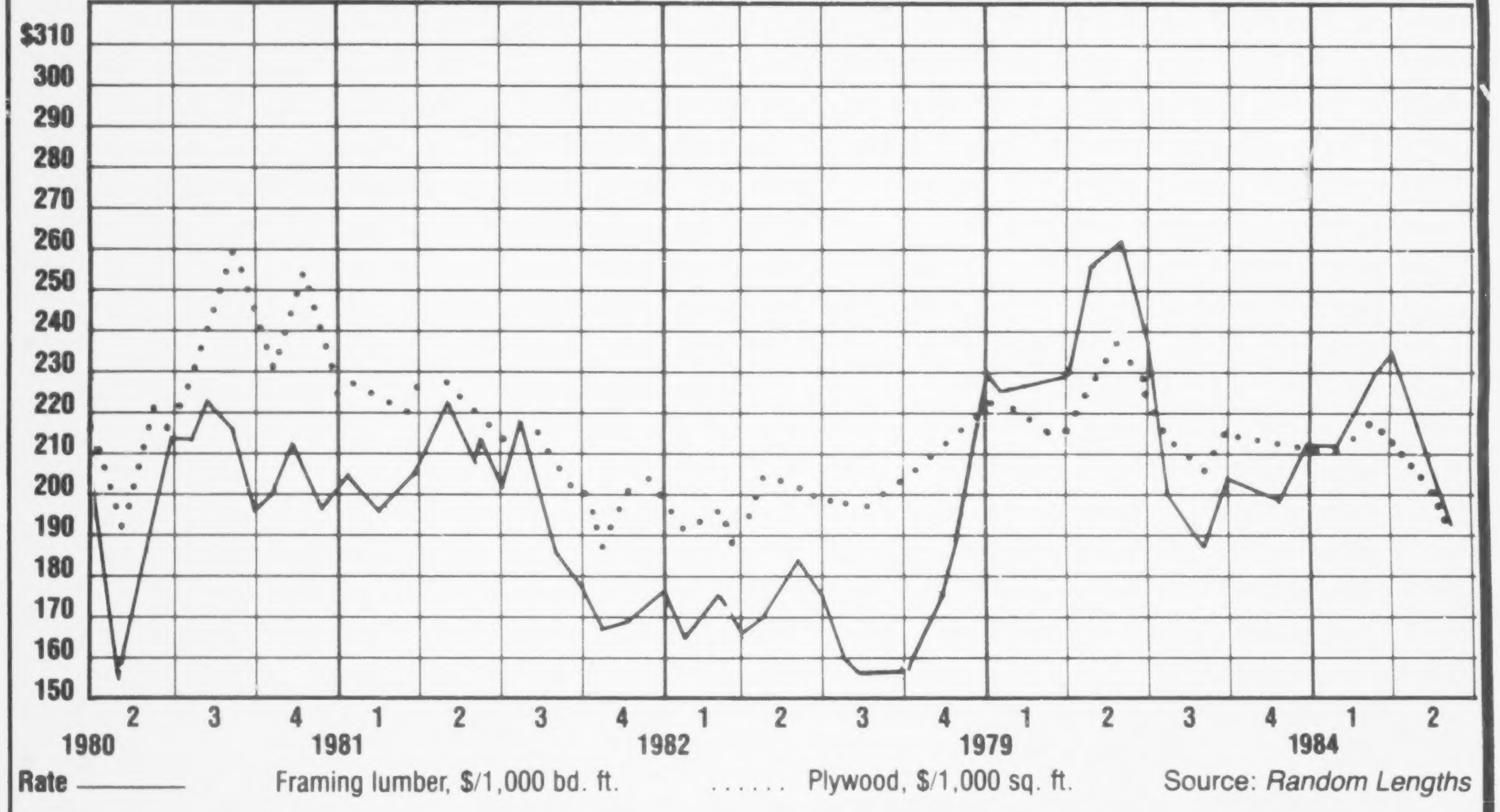
The actual amount of the settlement is $171,427,000. The $156 million figure results after legal fees and other expenses are deducted.

While eligible members of the class should receive the exact amount they are due from freight overcharges, they could receive more or less than that amount once the exact size of the class is determined, according to Goldberg.

He said that since the records of the 16-year-old plywood sales are incomplete, it is possible that documentation supplied by dealers could increase the number of those seeking a piece of the settlement to the point where each might receive something less than a full refund of freight overcharges.

Similarly, the incomplete records could also produce a situation where the size of settlement produces proceeds that exceed what each member of the class is actually entitled to, in which case each would receive additional funds. It is too early to determine exactly how the distribution of the settlement will work out, he said.

### Composite lumber/plywood price profile



Source: *Random Lengths*

Both the lumber and framing lumber composite prices have dropped steadily since winter. The lumber price composite was $234 per thousand board feet in March but by May it had sunk to $193. Similarly, the plywood composite, which was $214 per thousand square feet in March was down to $198 in May.

Prices were softened because of heavy mill production at a time when dealers were buying conservatively, despite lean inventories, because of fear that rising interest rates would slow housing. Additionally, poor weather through much of the country impeded construction during the early part of the building season.

With the recent rise in the prime lending rate forecasters do not expect a significant bounce in prices soon. The composite prices are derived by Random Lengths from a weighted average of nine key framing lumber prices and seven key plywood products.

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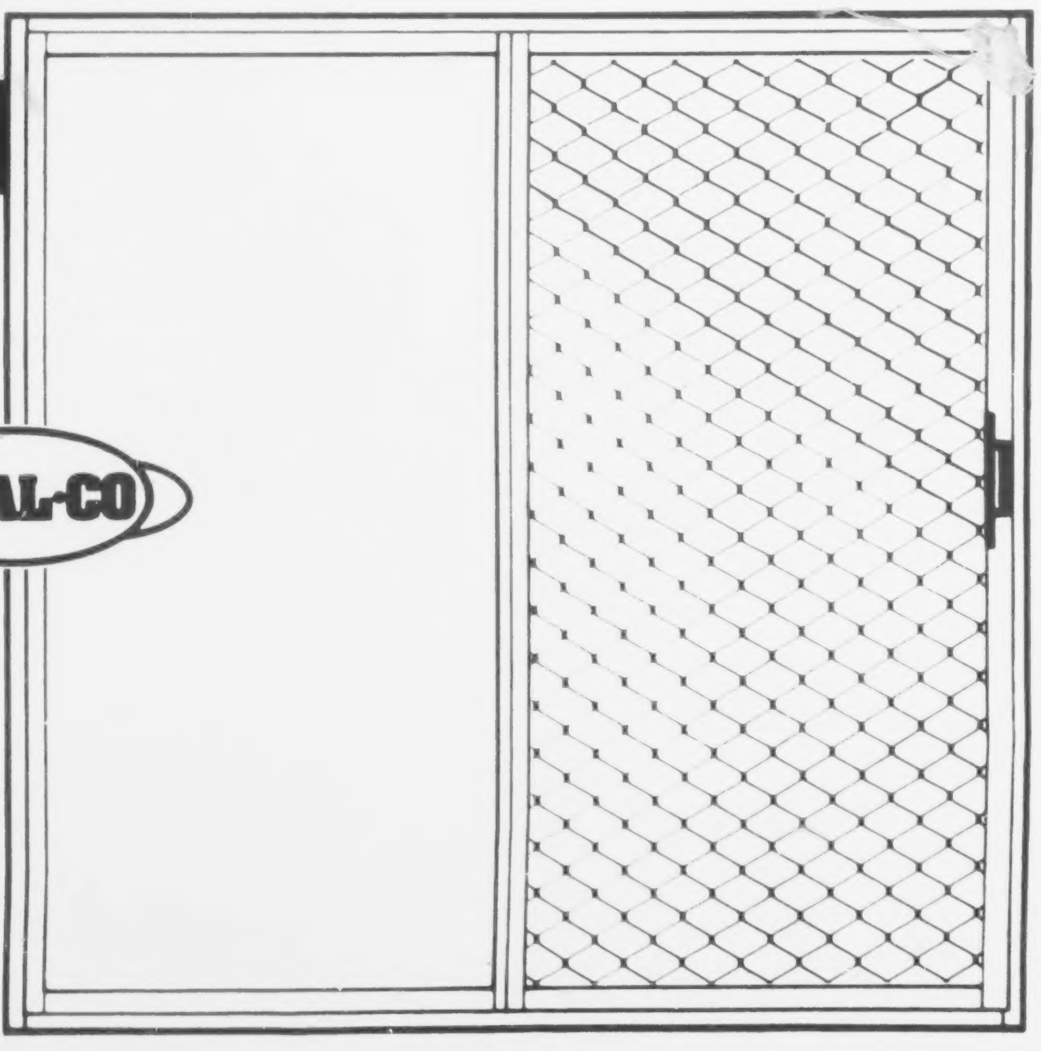


# THE ANATOMY OF CONSUMER BUYING DECISIONS

## Product analysis can give retailers a strategic edge

**By Wyatt Kash**
*NHCN editor*

Trying to understand how seemingly fickle consumers judge the qualities of a product and determine its value is a thankless challenge to most home center buyers and merchandisers.

Just about the time an audit confirms that a buyer is on the right track with one product line, the consumer decides to switch to something else.

Consequently, balancing the right supply with the changes in consumer demand is what makes the job of most merchandisers as much of an art as it is a science.

A new study, however, suggests that shoppers attach varying, and somewhat predictable, degrees of importance to certain measures of a product's worth when deciding to buy a product, but that these measures change dramatically from product to product.

In fact, on a number of issues—how important brand is to the decision-making process; whether there is an actual brand preference; how important the store is to the decision-maker; and, what specific features consumers look for beyond "quality"—consumers clearly demonstrate that the standards they apply to one product may have little to do with the ones they apply to the next.

These are among a few of the issues explored in detail for 40 selected home improvement products, ranging from lumber to screws, and gutters to garden hose, in a new study just completed for *National Home Center News* by the consumer research firm, Leo J. Shapiro & Associates.

The findings indicate that retailers have tremendous opportunity to leverage their product sales potential by developing specific product-by-product marketing and merchandising strategies, rather than merely presenting strong departments.

The nationally projectable study, based on telephone interviews in April and May with approximately 2,000 households in the United States, also revealed:

- **Product buying plans:** Lumber and hand tools will be bought by a quarter of America's 85 million households in the coming year; virtually half of the households expect to buy paint. At least 10% of United States households say they will buy 15 to 40 selected home improvement products in the coming year *(see chart, p. 20)*.
- **Product-project correlation:** Behind each planned product purchase lurks a strong probability of a major home improvement project. Some products, though, hint at much larger projects than others, and not always the obvious ones. Of 11% of United States households planning to buy a faucet in the coming year, 4 out of 10 are "definitely planning major home improvement project" in the coming 12 months, and expect they'll spend nearly $6,000. Even mirror tile purchases suggest major home improvements are in the works *(story, p. 20)*.
- **Demand for brand:** Brand names play an important, but limited role in the buying decision process. In most cases, the store—*where* consumers buy a product, which implies service, selection, and guarantees—is more important than who makes a product. Even when brand is important, con-

*(Continued on page 19)*

## *Home centers preferred, but warehouses gaining*

More Americans prefer to shop home centers for a broad range of home improvement products than at any other kind of retail store. However, warehouse home centers are beginning to gain recognition and acceptance, particularly among households making major home improvement expenditures.

Moreover, warehouse stores also seem to be drawing shoppers more frequently than home centers, a development that could have significant implications to home center operators in markets where warehouse stores are now competing.

These and other findings emerged from a new nationwide study conducted for *National Home Center News* by the research firm Leo J. Shapiro & Associates, Chicago.

The study shows that nationally, 41% of America's 85 million households prefer to shop at a home center when looking for home improvement products. Significantly, however, 6.5% of American households now say they prefer to shop at a warehouse store over any other type of store—a relatively high figure considering how new warehouse home centers are in the United States (*NHCN*, May 7).

Hardware stores and Sears remain a popular choice for home improvement products, cited by 21% and 15% of all United States households as the preferred place to shop for those products. Less than 9% of American households say they would prefer to shop at a discount store, and less than 4% prefer specialty stores when shopping for a variety of home improvement products.

Preferences change markedly, and shopping patterns appear accentuated, however, in Phoenix.

In a separate study, done in conjunction with the national survey, *National Home Center News* examined the Phoenix market, in an effort to see how home improvement retailing might evolve. The premise was that Phoenix—the nation's 22nd largest metropolitan area—has some of the strongest, most competitive home center operators in the United States now going head to head, and a population that is being exposed to some of the most innovative retailing techniques in the country, such as the Price Club, and Smitty's, an upscale supermarket discounter combination store.

In Phoenix, 17% of the market's 616,000 households prefer to shop at a warehouse store, while 59% prefer to shop at a home center, far above the national average. The preference for Sears drops by nearly two-thirds in Phoenix (where there are five Sears stores) to about 5% while the preference in Phoenix for hardware stores is about half the national average, at 9%.

The difference between the Phoenix market and the national sample suggests that hardware stores and Sears tend to lose customers to home centers and warehouse stores when consumers are in the market for a broad range of products.

On a national basis, shoppers of home centers, hardware stores and warehouse stores are far more likely to be "definitely planning a major project" in the next 12 months than shoppers who prefer Sears, discount stores and specialty

*(Continued on page 51)*

## *Retail advertising serves as price/value yardstick*

Retail advertising is increasingly becoming a tool by which consumers can judge product value and compare prices, rather than just a means to keep up to date with home improvement product sales.

In addition, almost half—48%—the nation's consumers say that they are "very interested" in retail home improvement ads, with about 30% saying they are "somewhat interested," and 20% saying they are not so interested, according to the consumer research study conducted for *National Home Center News* by Leo J. Shapiro & Associates.

The study examined the ingredients used in the decision-making process by home improvement consumers, both on a national basis and in a specific market, Phoenix.

Phoenix, noted for its innovative retailers ahd intense home center competition, shows consumers with even stronger interests in home improvement ads.

Some 55% of Phoenix consumers say they are very interested in home improvement retail ads, while the number who have little or no interest has dropped to 13% in that city.

Some of these shifts in interest might rflect Phoenix's growing population as the exodus to the Sunbelt and large numbers of new houses being built in the area, continues.

Also, the intense competition causing stepped up advertising may be heightening home improvement store profiles for he local consumer: Phoenix has 30 home centers operated by Angels, Foxworth-Gailbraith, Handyman, O'Malleys and Payless Cashways, plus four Home Depots, five Sears, 10 K marts and seven Color Tile stores.

The reasons why consumers are interested in advertising offers clues to the changing role of advertising for shoppers.

Nationally, almost a third—29%—of American consumers study retail ads in order to catch sales and money saving specials.

There is a marked contrast though between Phoenix and national markets over the matter of price comparison.

Currently, a quarter of the national—24%—appears to use retail ads in order to compare prices. Among Phoenix's consumers, however—37%—are actively using ads to compare prices.

More unusual was the fact that nine times as many consumers proportionally in Phoenix study ads to check information on product quality, compared to the national response rate. In fact, this marks a trend confirmed by a totally independent study made by the Newspaper Advertising Bureau earlier this year, which stated that an increasing number of ads will have detailed product information by the end of the century due to consumers interest in product information.

Meanwhile, four times as many Phoenix consumers proportionally said they use ads in order to save time compared to the national average.

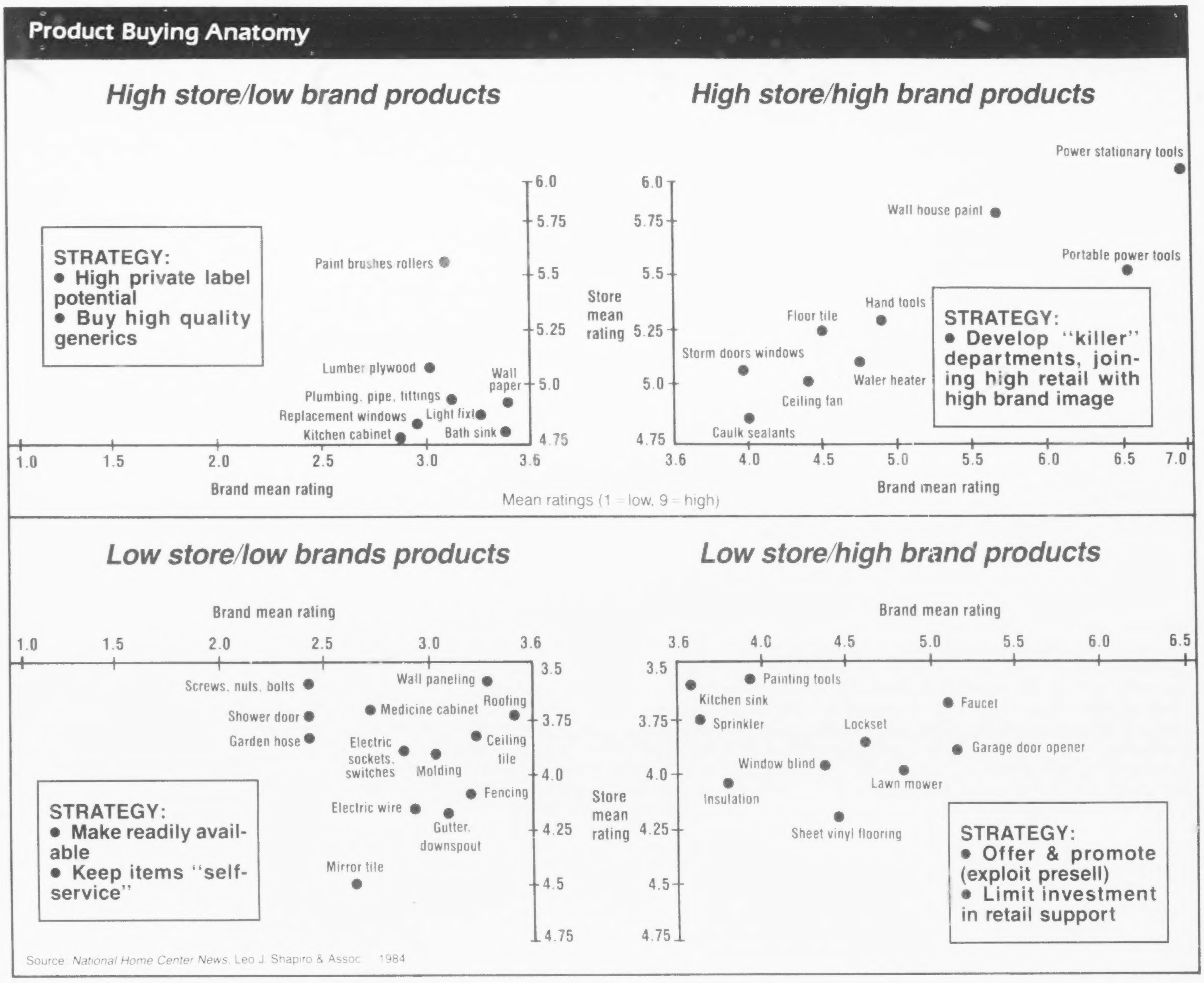
Also, shoppers may be becoming more self-assured as to what they want to buy, and where to buy it. Fewer people in Phoenix said they use ads to find out what's available, than did households nationally.

When the degree of consumer interest in retail store ads is

*(Continued on page 52)*

*NHCN*'s 1984 Consumer Attitude Survey

# Product analysis gives retailers strategic edge


Product Buying Anatomy

Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

*By being responsive to consumers' dependence on store and brand, retailers can devise strategies to merchandise products in each of four consumer importance classifications:*

- *High store low brand—high private label potential assures product quality of store and generic labels. Avoid giving up margin for brand names.*
- *High store high brand—develop "killer" departments that combine brand and store excellence into a superior offering. Find things of value that store can do to match high value delivered by brands.*
- *Low store high brand—offer and promote brands to exploit the fact that these are presold products but limit investment in giving retail support to these brands. In short, get credit for having the brands; don't try to get credit for being a retailer.*
- *Low store low brand—make products readily available where shoppers can find them. Rely on self-service, high traffic displays. Avoid investing in brands.*

*(Continued from page 17)*

sumers demonstrate varying degrees of actual brand preference. In some cases (e.g., molding, roofing, paneling and wallpaper), consumers indicate they want a brand, but have little to choose from; in other cases (e.g., ceiling tile and insulation), while consumers have a brand preference, the brand is less important than other factors. The study suggests that retailers have the potential to develop brand names in some categories, and that they may be overpaying for brand identification in others *(story, p. 19)*.

• **The buying decision:** While quality and perceived value remain the cornerstones of how consumers evaluate a product's worth, specific design features and esthetic characteristics also play an integral role in the buying decision. Faucets and piping, for instance, attract different customers: One customer is looking for style and looks; the other is looking specifically at the material the piping is made of, the study indicated.

The study's chief conclusion is that retailers, by recognizing which factors play a stronger role in the buying decision for each product, can better tailor their merchandising presentations. Moreover, the study suggests retailers who target their merchandising and marketing on a product-by-product basis, will be able to gain a strategic edge over dealers who tend to merchandise related products in similar fashion, even though those products such as the faucet and piping, call for different approaches.

One of the key measures used in analyzing how consumers evaluate a product is a comparison of the importance of brand vs. the store in the buying decision.

Consumers were asked, for all 40 products, how large a difference brand names made in their buying decisions, and then were asked how large a difference selection of a store made in that buying decision.

Consumers responded by rating each product on scale of one to nine, where "nine" made a tremendous difference and "one" made no difference at all.

In general the mean average ratings, when combined for all 40 products, showed that the store plays a slightly more important role (4.18) than does brand (4.01). In a companion study of the Phoenix market, surveyed by *NHCN* in the belief that Phoenix represents a more competitive, more sophisticated shopping environment, stores were rated 4.50, brands 2.87, suggesting who sells the product means much more in Phoenix, relatively speaking, than who makes it.

The study shows that the importance of brand varies widely, with stationary tools at the top of the list, getting a rating of 7.04, and fasteners at the bottom of the list, with a brand rating of 2.49.

The importance of the store meanwhile, was in a narrower, but generally higher range overall *(see charts, p. 66)*.

When the two scores for each product are examined in combination however, distinct patterns emerge that suggest several unique strategies for different products.

One pattern, for instance, indicates some products have a high store low brand profile, where who sells the product is more important than who makes it. The study suggests the strategy for such products, including wallpaper, paint brushes and bathroom sinks, would be to develop strong private label programs to maximize the pull the store already has.

Other types of products are those with a high brand high store profile; a low store high brand profile, and a low store - low brand profile, each with distinct strategies *(see diagram, p. 19)*.

The findings of the study, highlighted in this issue, are contained in a 300-page report entitled, "The Anatomy of Consumer Buying Decisions." For more information on the study, see page 38.

**The complete report, including a 241-page summary, plus a 60-page analysis of consumer shopping trends, and executive summary, is available in a single volume for $250. For more information write *National Home Center News*, Dept. S-84, 425 Park Ave., New York, N.Y. 10022.**

### Shopping preferences

### *Store vs. brand importance*

| | | Mean rating* |
|---|---|---|
| National | Store | 4.18 |
| | Brand | 4.01 |
| Phoenix | Store | 4.50 |
| | Brand | 2.87 |

*1 = low/9 = high

Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

# *Brand names play important but limited role*

When customers go out to buy a radial arm saw or a gallon of paint, they usually are looking for a specific brand name they know or have used satisfactorily in the past.

Very few products command this level of recognition, though, with most consumers showing little, if any, brand preference for most home improvement products. But consumers, in the majority of cases, do attach a certain degree of importance to brand—that is, who makes a product—that plays an integral role in the consumer's buying decision.

On those products where consumers express no brand preference and do not consider who makes a product that important in their buying decisions, the reputation of the retail store—in terms of in-store service, selection, display, advertising—often plays a stronger role in the decision making process, and why a customer ultimately buys the product.

In this year's *NHCN* Consumer Attitude Study, brand preference and importance are determined among consumers for 40 products. In addition, the degree to which brand and store importance play a role in a consumer's buying decision are presented in a way that provides the retailer with four basic marketing strategies for selling each of the products in his store.

Brand preference was a significant factor for at least one-third of the 85 million projectable households in the study on 10 of the 40 products, with nearly 8 out of 10 of those polled stating they preferred a particular brand when purchasing a portable power tool; nearly 6 out of 10 looking for one brand name of paint; half prefer a specific brand of hand tool.

But after these 10 products, the brand preference percentages fall steadily, to the point where more than half of the products received less than a 20% brand preference response from consumers.

Some items—like mirror tile, electrical wiring, medicine cabinets, shower doors and molding—ranked very low in terms of brand preference among consumers.

In more detailed analysis, the study found that consumers were buying brand names often as an assurance of a product's durability and quality, which were also factors in the purchasing decision. Where price was a more significant element in a customer's buying choice—as in the case of molding, for instance—brand preference is virtually nonexistent.

This is not to say, though, that a product's brand name has no importance to consumers.

When asked whether brands were important to their buying attitudes, and their responses were ranked on a scale of one to nine, with nine being "very important" and one being "least important." Nationally, brand importance for all 40 products averaged out to a mean of 4.01, ranging from stationary power tools (7.04), to wallpaper (3.46), to fasteners (2.49).

But some remarkable discrepancies turned up when the study compared the importance of brand in the buying decision, with the degree of actual brand preferences. For instance, consumers showed minimal brand preference on such items as molding, roofing, wall paneling storm doors and windows, but rated brand importance for these products relatively high. To a lesser degree, this was also true of lumber plywood, interior lighting, kitchen cabinets and sheet vinyl.

These findings could indicate that these products may be ripe for the development of brand identification. This could be in the form of private label, by the retailer, in order to meet the demands of consumers shopping these items but finding very little in the way of brands to choose from.

On the other hand, certain goods—like electricals, gutters and downspouts, fasteners, plumbing, ceiling tiles and insulation—demonstrated a relatively high degree of brand preference for products that, in general, did not have that much brand importance attached to them.

*(Continued on page 66)*

## *NHCN's* 1984 Consumer Attitude Survey

# Behind every product sale is project possibility

A customer walks into a home center and buys a plastic, dual-lever faucet on sale for $29. The transaction may not mean too much at the time to the dealer running the store; it may not even be that profitable.

But over a 12-month period; there is a 2-out-of-5 chance that same customer will purchase close to $6,000 worth of products for a major home improvement project, and those kinds of numbers will get most retailers' attention.

A sizable percentage of consumers buying even the smallest of products report they are "definitely" planning to undertake a much larger project within a year, for which they will need to buy thousands of dollars worth of merchandise.

Products differ dramatically in their capacity to lure project planners and doers into a store. But, on the basis of data correlating product sales with proposed projects to be found in this year's *National Home Center News* Consumer Attitude Study, retailers who concede product sales to competitors could be cutting their stores off from enormous volume to be sold that customer over the long term.

Retailers making the most out of cross-merchandising and advertising opportunities in certain product lines could, in fact, be laying only partial groundwork for sales of big ticket merchandise "packages" that would increase the volume and profit in many of their stores' departments.

In evaluating the study's examination of 40 products and their relative prospects for generating future project sales, dealers may find that they have been giving some items short shrift in their promotions and store displays, or, on the other hand, have overemphasized other products that are less effective in drawing project-oriented consumers.

A bathroom sink and vanity offers a case in point. The study notes that only 7.1% of the 85 million households in America expect to buy one over the next 12 months, ranking it 26th among the 40 selected home improvement items consumers said they might buy. But of those consumers making such a purchase, nearly half said they would engage in a major remodeling or home improvement project in the next 12 months. Asked, if they did, what would they spend, those bathroom sink buyers said they would spend an estimated $6,175 on the project. In this light, the bathroom sink buyer becomes the No. 1 potential project buyer.

It is not surprising that several retailers—Lowe's, Payless Cashways, West Building Materials—have already recognized this trend and have made concerted efforts over the past several months to remodel and remerchandise their stores' bath departments, in which sinks and vanities hold a prominent position.

The size and cost of a product, though, do not automatically determine whether its purchaser will be a big-ticket prospect, as can be seen when electricals and lumber are compared in the study.

Nearly two-fifths of the 12% of all households that plan to buy electrical wiring cable said they would definitely tackle a major project this year, and planned to spend an average of $7,658. In fact, while electrical wiring ranked 12th in the study's planned product purchases list and nineth in product-project correlation, one finds that the product ranked second overall, behind faucets, in providing retailers the largest likely total associated project expenditure.

This is less the case with lumber/plywood. Less than 3 out of every 10 prospective buyers of these goods, are "definitely" thinking about doing a major project although one-fourth of all United States households said they were likely to buy lumber in the next 12 months. Those who might do a major project expected to spend only around $3,500, on average.

The order of planned products purchases in relation to the likelihood for consumers to do major home improvement projects also verifies another industry trend: kitchen and bath remodeling continue to be the dominant home improvement jobs currently being conducted by homeowners.

The first six products listed by rank in the study's product-project correlation chart—bathroom sink/vanity, kitchen cabinet, medicine cabinet, kitchen sink, sheet vinyl floor covering and faucets—are all connected to either the retrofitting of a kitchen or a bath. Among all those consumers who said they would buy these products over the next year, at least 38% and as many as 49% said they would begin a larger home improvement project, ranging in projected cost from $2,504 to $7,694.

On the other side of the coin, some products do not appear to lead to bigger ticket purchases. For instance, power lawn mowers, which only 6.5% of all households plan to buy next year, found less than 10% of that purchasing group looking to do a DIY project.

However, less than one-quarter of that 6.1% of total households planning to buy a garage door opener—which, at times, is itself connected with the actual construction of a garage or room addition—planned a major project in the coming year to average about $4,000.

Clearly, though, the correlation between those "definitely" planning a major home improvement project, and the likelihood they will purchase specific products illustrates the fact that consumers who are initially looking for a product may be in the market for far more than a cross merchandised item, the study indicated.

### Some notes on product categories:

- **Stationary power tools includes drill presses;**
- **Portable power tools encompasses electric drills and saws;**
- **Hand tools: hammers, wrenches, screwdrivers;**
- **Sheet vinyl: linoleum floor covering;**
- **Painting tools: scrappers, putty knives;**
- **Home insulation: Styrofoam, fiberglass rolls.**

### What products will be purchased*

| Rank | Product | % of U.S. households who might buy in coming year |
|---|---|---|
| 1 | Wall/house paint | 46.6% |
| 2 | Screws, nuts, bolts | 44.4 |
| 3 | Paint brushes, rollers | 40.5 |
| 4 | Hand tools | 28.8 |
| 5 | Lumber/plywood | 25.9 |
| 6 | Painting tools | 19.0 |
| 7 | Wallpaper | 18.0 |
| 8 | Caulking/sealants | 17.9 |
| 9 | Portable power tools | 17.7 |
| 10 | Garden hose | 14.4 |
| 11 | Interior light fixtures | 14.1 |
| 12 | Electrical wiring, cable | 11.6 |
| 13 | Faucets | 11.3 |
| 14 | Electrical sockets, switches | 10.4 |
| 15 | Ceiling fan | 10.3 |
| 16 | Floor tile | 9.5 |
| 17 | Molding | 9.3 |
| — | Sprinkler | 9.3 |
| 19 | Locksets | 9.0 |
| 20 | Home insulation | 8.8 |
| 21 | Plumbing pipes, fittings | 8.7 |
| 22 | Floor covering | 8.6 |
| — | Wall paneling | 8.6 |
| 24 | Window blinds | 8.3 |
| 25 | Storm doors, windows | 8.0 |
| 26 | Bathroom sink | 7.1 |
| 27 | Gutter, downspout | 7.0 |
| 28 | Fencing | 6.9 |
| 29 | Roofing | 6.7 |
| 30 | Power lawn mower | 6.5 |
| 31 | Garage door opener | 6.1 |
| 32 | Shower door | 6.0 |
| 33 | Replacement windows | 5.9 |
| — | Stationary power tools | 5.9 |
| 35 | Kitchen cabinets | 5.1 |
| 36 | Medicine cabinet | 4.7 |
| — | Kitchen sink | 4.7 |
| 38 | Water heater | 4.5 |
| 39 | Ceiling tile | 4.1 |
| 40 | Mirror tile | 2.8 |

*in coming 12 months

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

- *Lumber and hand tools will be bought by a quarter of America's 85 million households in the coming year; virtually half the nation's households expect to buy paint.*

### Product-project correlation

| Rank by project plans | Product | "Might buy" rank (40 items) | % of households "Definitely" planning project | Expected expenditure |
|---|---|---|---|---|
| 1 | Bathroom sink/vanity | 26 | 49.1% | $ 6,175 |
| 2 | Kitchen cabinet | 35 | 44.6 | 7,694 |
| 3 | Medicine cabinet | 36 | 43.1 | 7,340 |
| 4 | Kitchen sink | 36 | 41.9 | 6,483 |
| 5 | Sheet vinyl | 22 | 39.2 | 2,504 |
| 6 | Faucet | 13 | 38.3 | 5,963 |
| 7 | Home insulation | 20 | 38.1 | 6,423 |
| 8 | Mirror tile | 40 | 37.7 | 5,635 |
| 9 | Electrical wiring | 12 | 37.4 | 7,685 |
| 10 | Electrical sockets/switches | 14 | 37.2 | 4,793 |
| 11 | Molding | 17 | 36.8 | 4,608 |
| — | Plumbing/pipes/fittings | 21 | 36.8 | 7,067 |
| 13 | Replacement windows | 33 | 36.7 | 6,039 |
| 14 | Ceiling tile | 39 | 36.2 | 5,894 |
| 15 | Shower door | 32 | 33.0 | 4,477 |
| 16 | Int. light fixture | 11 | 30.7 | 5,614 |
| 17 | Wall panel | 22 | 30.6 | 3,840 |
| 18 | Floor tile | 16 | 29.7 | 6,450 |
| 19 | Window blind | 24 | 29.6 | 7,257 |
| — | Stationary power tools | 33 | 29.6 | 3,290 |
| 21 | Roofing | 29 | 28.8 | 5,788 |
| 22 | Fencing | 28 | 28.3 | 2,353 |
| 23 | Lumber/plywood | 5 | 28.1 | 3,506 |
| 24 | Hand tools | 4 | 26.5 | 5,867 |
| 25 | Wallpaper | 7 | 26.4 | 4,097 |
| 26 | Caulking/sealants | 8 | 25.0 | 9,015 |
| 27 | Paint brushes, rollers | 3 | 24.5 | 6,357 |
| 28 | Storm door, window | 25 | 24.4 | 7,058 |
| 29 | Portable power tools | 9 | 23.8 | 5,794 |
| — | Garage door opener | 31 | 23.8 | 4,106 |
| 31 | Painting tools | 6 | 22.9 | 5,587 |
| 32 | Ceiling fan | 15 | 22.7 | 5,328 |
| 33 | Wall/house paint | 1 | 22.6 | 5,692 |
| 34 | Lockset | 19 | 21.3 | 3,363 |
| 35 | Water heater | 38 | 19.7 | 6,342 |
| 36 | Sprinkler | 17 | 19.5 | 5,279 |
| 37 | Screws, nuts, bolts | 2 | 18.7 | 7,179 |
| 38 | Gutter, downspout | 27 | 13.6 | 11,671 |
| — | Garden hose | 10 | 13.6 | 2,148 |
| 40 | Power lawn mower | 30 | 9.7 | 4,200 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

- *Behind each planned product purchase is the probability of a major home improvement project. Some products hint at much larger projects than others. Surprisingly, a mirror tile purchase suggests a $5,635 project is in the works.*

### *NHCN*'s 1984 Consumer Attitude Survey

# See need for better in-store consumer-ed.

**Product Buying Anatomy**

### *How good a shopper are you?*

All U.S. households — Mean rating 1 = low/9 = high

| Rank | Product | Buying confidence |
|---|---|---|
| 1 | **Wall paneling** | 6.74 |
| 2 | **Bathroom sink, vanity** | 6.65 |
| — | **Portable power tools** | 6.65 |
| 4 | **Wall/house paint** | 6.45 |
| 5 | **Water heater** | 6.36 |
| 6 | Garden hose | 6.35 |
| 7 | Paint brushes/rollers | 6.31 |
| 8 | Hand tools | 6.26 |
| 9 | Caulking/sealants | 6.23 |
| 10 | Faucets | 6.18 |
| 11 | **Medicine cabinet** | 6.17 |
| 12 | **Stationary power tools** | 6.13 |
| — | **Painting tools** | 6.13 |
| 14 | **Kitchen cabinets** | 6.08 |
| 15 | **Screws/nuts/bolts** | 6.06 |
| 16 | Plumbing, pipe, fittings | 6.05 |
| 17 | Molding | 6.03 |
| 18 | Window blinds | 6.00 |
| 19 | Lumber/plywood | 5.98 |
| — | Interior light fixtures | 5.98 |
| — | **Wallpaper** | 5.98 |
| 22 | **Kitchen sink** | 5.95 |
| 23 | **Shower door** | 5.94 |
| 24 | **Fencing** | 5.92 |
| — | **Replacement windows** | 5.92 |
| 26 | Storm doors, windows | 5.90 |
| — | Ceiling fan | 5.90 |
| 28 | Ceiling tile | 5.89 |
| 29 | Power lawn mower | 5.82 |
| 30 | Garage door opener | 5.76 |
| — | **Sprinkler** | 5.76 |
| 32 | **Locksets** | 5.71 |
| 33 | **Home insulation** | 5.61 |
| 34 | **Electrical sockets, switches** | 5.60 |
| 35 | **Sheet vinyl** | 5.57 |
| 36 | Floor tile | 5.53 |
| 37 | Mirror tile | 5.40 |
| 38 | Electrical wiring, cable | 5.16 |
| 39 | Gutters, downspouts | 5.14 |
| 40 | Roofing | 5.12 |

*The high buying confidence level of wall paneling could be the result of customers reliance on their own sight evaluation of the product and previous buying experience.*

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

Consumers who attach only marginal value on store or brand when they shop generally feel less confident in their ability to make the right buying decision than those shoppers who consider store and brand important to their product selection and purchasing.

In attempting to woo these less confident consumers into their stores, home center retailers, in unison with their suppliers, may need to bolster their stores' product demonstration and consumer education seminar programs to give prospective buyers a better grasp of what is needed to complete a DIY job.

This year's *NHCN* Consumer Attitude Study found most consumers relatively confident about their own shopping acumen. When asked to rate their ability as shoppers, on a scale of one to nine (with nine being the most confident), the average among those households polled in the study was 6.3.

However, their confidence level varied markedly when consumers were asked to assess their shopping ability on a product-by-product basis.

The average buying confidence rate for the 40 products analyzed in the study was 5.95, and it ranged markedly from 6.74 for wall paneling to 5.12 for roofing.

In fact, the study found that four of the six products that ranked at the bottom of the buying confidence chart—mirror tile, electrical wiring, guttering and roofing—were also included in a cluster of 40 products surveyed for which consumers cared little about store or brand importance in their buying.

Conversely, half of the top six products consumers felt most confident about purchasing—portable power tools, wall/house paint and, notably, water heaters—were also items that were among those where consumers held store and brand in high esteem when buying a product.

This pattern of buying confidence levels aligning with store/brand importance was consistent for virtually all products, with some exceptions: wall paneling, which has a low-store/low-brand quotient, was the highest-ranked among products consumers bought confidently. On the other hand, floor tile, which fell into the high-store/high-brand quadrant, had a mean buying confident rating considerably below the average for all 40 items (5.53).

In the case of wall paneling, which is basically a "customized" commodity, the high buying confidence level could be the result of customers relying so heavily on their own sight evaluation of the product and past purchase experience in judging its quality and worth, rather than on the influence of a store or brand.

While many home centers have very strong paneling programs—Gee Lumber, Payless Cashways, Plywood Minnesota—and several manufacturers are well known in the industry—Abitibi-Price, Champion International, Georgia-Pacific, to name a few—it appears that the customer is more concerned with his own assessment of the product than with who sells it or who makes it and is confident that he will buy the one paneling type he wants.

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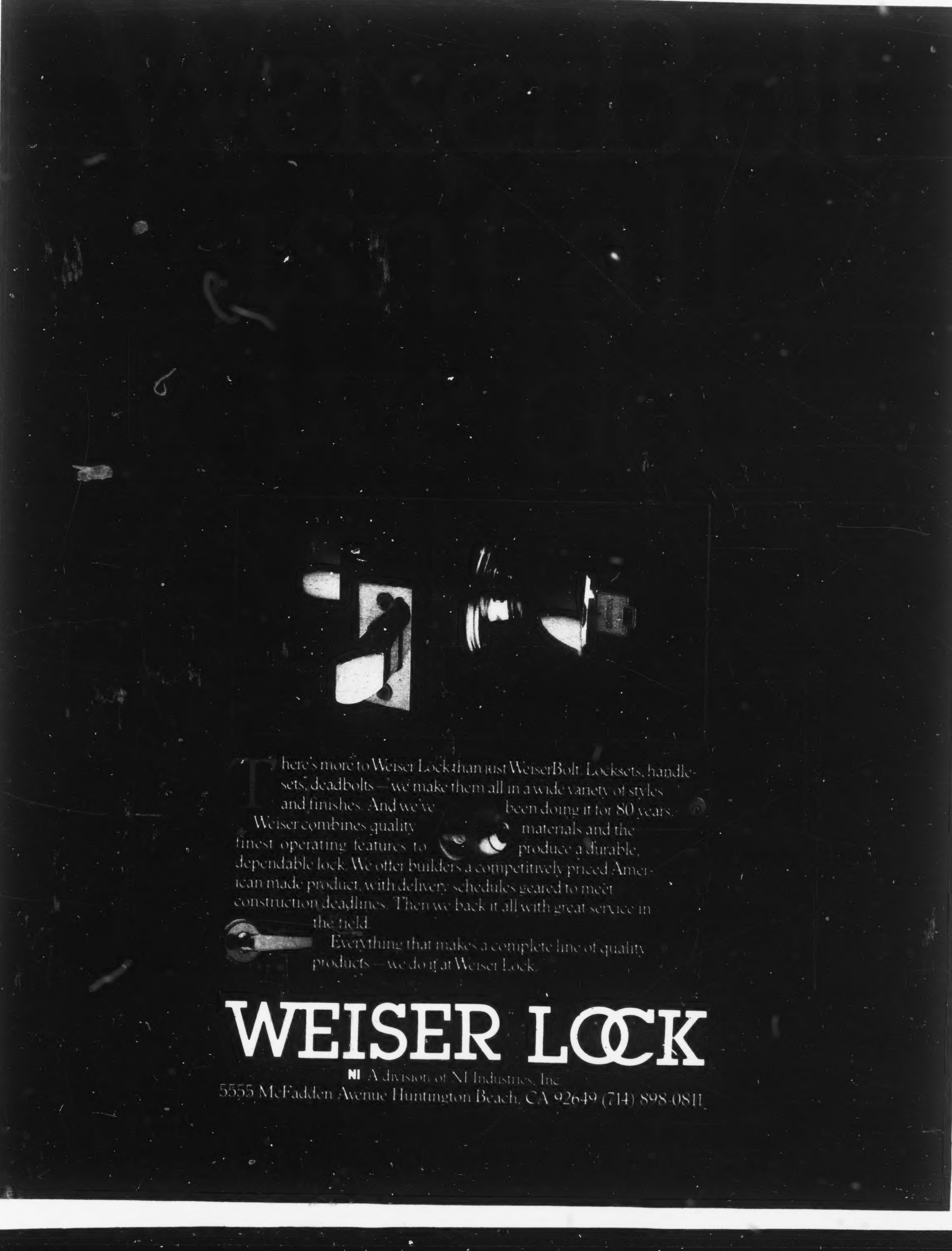

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# Garage openers garner strong brand loyalty

**Product Buying Anatomy**

### *How shoppers arrive at buying decisions*

| | Locksets | Screws/Nuts Bolts | Garage Door Openers |
|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 9.0% | 44.4% | 6.1% |
| Importance of . . . | | | |
| • Brand (mean rating*) | 4.49 | 2.49 | 5.25 |
| Rank—40 products | 10 | 40 | 4 |
| • Store (mean rating*) | 4.40 | 4.73 | 4.29 |
| Rank—40 products | 28 | 18 | 33 |
| Preference for . . . | | | |
| • Brand | 43% | 8% | 55% |
| • Store | 86% | 93% | 81% |
| Home center | 31% | 30% | 23% |
| Hardware | 24% | 36% | 4% |
| Warehouse | 6% | 4% | 4% |
| Sears/Dept. | 8% | 6% | 33% |
| Discount | 7% | 11% | 10% |
| Specialty | 6% | 4% | 4% |

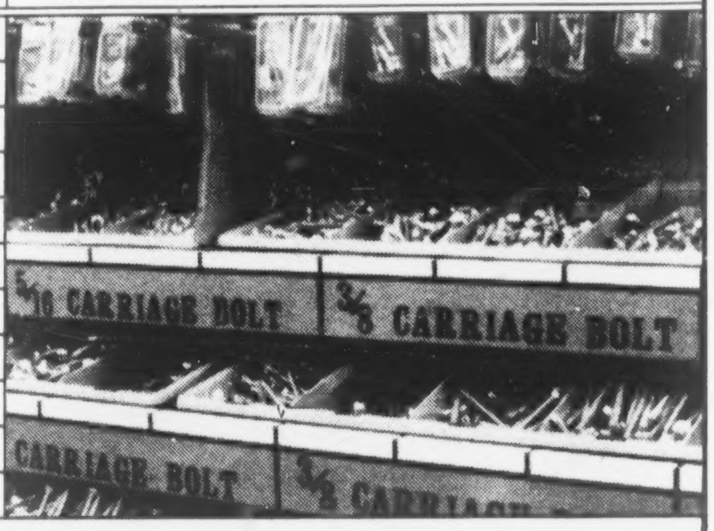
*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

### *What people look for when buying:*

| LOCKSETS | | SCREWS/NUTS/BOLTS | |
|---|---|---|---|
| Safety features | 25.4% | Size/length | 26.3% |
| Sturdy craftsmanship | 24.9 | Value/price | 18.7 |
| Durability | 16.0 | Quality | 15.8 |
| Looks/style | 14.2 | Mat'l: stainless steel | 10.5 |
| Quality | 13.6 | Selection/variety | 5.8 |
| Brand names | 8.9 | Brand names | 4.7 |
| Size/fit | 4.7 | Rustproof | 4.1 |
| Metal/heavy | 4.7 | Sturdy craftsmanship | 2.9 |
| Value/price | 4.1 | Durability | 2.3 |
| Selection/variety | 2.4 | Sales/ads for sales | 1.8 |

| GARAGE DOOR OPENERS | |
|---|---|
| Quality | 19.7% |
| Durability | 18.4 |
| Size of motor | 18.4 |
| Brand names | 17.1 |
| Ease of opening | 14.5 |
| Sturdy craftsmanship | 13.2 |
| Vaue/price | 13.2 |
| Guarantee | 6.6 |
| Safety features | 5.3 |
| Looks/style | 3.9 |



Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Consumers buying fasteners look at size, price and quality before buying, and an almost equal number of customers planning to purchase locksets said its safety features or sturdy construction would affect their buying decision.*
- *Hardware stores continue to give home centers stiff competition when selling fasteners and locksets, while Sears might capture as much as 10 percentage points more garage door opener sales than home centers in the coming year.*

Close to half American households state they plan to purchase, over the coming year, at least some quantity of screws, nuts and bolts—merchandise that is used in a broad range of home improvement projects.

At the same time, about 1 out of 10 households plans to purchase locksets, while some 6% plan to purchase garage door openers.

A Consumer Attitude Survey, recently completed by *National Home Center News*, also found that consumers felt a name brand was extremely important to their buying decision for garage door openers, perhaps because the product's electronic nature demands a dependable vendor. In terms of brand importance, garage door openers received a mean rating of 5.25 on a sale of 1 to 9, ranking fourth of 40 products surveyed.

On the same ranking scale, locksets fell into 10th place while fasteners ended up at the bottom, indicating brand names in fasteners make little difference to consumers.

Over half the consumers surveyed preferred specific brands for their garage door openers.

Consumers did not seem to feel that the store from which these products were purchased held as much importance as other factors in the buying decision. Both locksets and garage door openers, with their strong brand identities, fell into the bottom half of a scale of 40 products in terms of store importance. However, fasteners received a mean rating of 4.73 in terms of store importance, positioning them higher on the scale, perhaps because stores offer varying levels of depth of stock.

In all three categories, consumers stated they had specific preferences concerning what stores they would patronize. Home centers were specified by 1 out of 3 as preferred sources for locksets and fasteners, and by nearly 1 out of 5 as preferred sources for garage door openers.

Warehouse stores were specified as preferred sources by only about 1 out of 20 consumers for all three categories, while hardware stores made stronger showings than any other categories of stores for fasteners.

# Home centers battle for share of tool market

Consumers look to home centers only sporadically when they plan to purchase tools, and those stores appear to have their work cut out for them in making bigger gains in market share on these products.

About one-quarter of those households which are probably going to buy painting tools (putty knives, sandpaper, masking tape) will do so in home centers, and nearly 20% of all consumers planning a tool purchase will shop these outlets.

However, another 25% of the painting tool customers plan to go to a hardware store, as do 3 out of every 10 hand tool buyers. In addition, home centers take a back seat to Sears as the place to shop for stationary tools, portable power tools and hand tools, with nearly half of those customers planning to buy stationary equipment gravitating toward Sears.

A surprisingly high percentage of households are also turning to specialty outlets for stationary tools and painting tools. Specialty outlets like Standard Brands and Color Tile are getting about 13% of the prospective painting tool market.

That Sears can command such a high percentage of the tool market's sales is a reflection of the continuing respect customers have for that company's "Craftsman" brand name, which connotes quality, durability and, on hand and power tools, a lifetime guarantee.

Other data contained in this year's *NHCN* Consumer Attitude Survey showed that almost half of all potential tool customers, when asked about what characteristics they looked for in a tool, named "quality" (stationary equipment), "sturdiness" (hand tools), and "brand name" (portable power tools). Painting tool shoppers were evenly split between "quality" and "price/value" in their buying decision, with about one-fifth of the prospective consumers identifying each characteristic.

This information becomes increasingly interesting when it is compared with the value consumers place on store and brand importance and preference when buying a tool. All the consumers said they preferred to shop a particular store when buying all these products.

However, while brand preference and importance play a critical role for stationary and portable power tool buyers, brand is less significant for hand tool consumers and those thinking of buying painting tools, with less than a quarter of the latter consumer group showing any brand preference at all.

Who makes the product may not mean as much to them as where it is sold. Consequently, chains like Sears that are able to capitalize on both brand and store recognition with consumers appear to be the ones that will capture a good chunk of this tool market in the future.

**Product Buying Anatomy**

### *What people look for when buying:*

| STATIONARY TOOLS | | HAND TOOLS | |
|---|---|---|---|
| Quality | 24.1% | Sturdy craftsmanship | 24.8% |
| Durability | 23.1 | Brand names | 23.9 |
| Brand names | 21.3 | Quality | 23.1 |
| Guarantee | 14.8 | Durability | 16.2 |
| Value/price | 13.9 | Value/price | 12.0 |
| Sturdy craftsmanship | 13.0 | Size/fit | 6.0 |
| Powerful | 9.3 | Comfortable to use | 4.3 |
| Safety features | 2.8 | Selection/variety | 3.4 |
| Mat'l: fiberglass | 2.8 | Guarantee | 2.6 |
| Looks: style | 1.9 | Versatile | 2.6 |
| **PORTABLE POWER TOOLS** | | **PAINTING TOOLS** | |
| Brand names | 32.0% | Quality | 22.9% |
| Durability | 22.7 | Value/price | 22.9 |
| Quality | 18.8 | Durability | 17.9 |
| Guarantee | 16.4 | Sturdy craftsmanship | 15.7 |
| Value/price | 15.6 | Size | 7.1 |
| Sturdy craftsmanship | 12.9 | Brand names | 6.4 |
| Horsepower | 10.2 | Selection/variety | 3.6 |
| Safety features | 4.3 | Easy to clean | 2.9 |
| Size | 4.3 | Safety features | 0.7 |
| Versatile | 3.5 | Guarantee | 0.7 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

### *How shoppers arrive at buying decisions*

| | Stationary Tools | Hand Tools | Portable Power | Painting Tools |
|---|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 5.9% | 28.8% | 17.7% | 19.0% |
| Importance of . . . | | | | |
| • Brand (mean rating*) | 7.04 | 4.93 | 6.53 | 3.89 |
| Rank—40 products | 1 | 6 | 2 | 16 |
| • Store (mean rating*) | 5.94 | 5.38 | 5.64 | 4.70 |
| Rank—40 products | 1 | 5 | 3 | 19 |
| Preference for . . . | | | | |
| • Brand | 76% | 51% | 79% | 24% |
| • Store | 94% | 95% | 91% | 94% |
| Home center | 21% | 21% | 19% | 25% |
| Hardware | 6% | 30% | 21% | 25% |
| Warehouse | 2% | 3% | 3% | 3% |
| Sears/Dept. | 47% | 29% | 30% | 17% |
| Discount | 4% | 6% | 10% | 8% |
| Specialty | 11% | 5% | 3% | 13% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Consumers of stationary, hand and portable power tools place remarkably high importance on brand and store when they shop.*
- *A combination of sturdy craftsmanship, quality and brand names is what consumers want in hand tools, with the latter two characteristics—along with durability—forming the basis for consumer buying habits toward stationary equipment.*

# Home centers outdistance lumber competitors

**Product Buying Anatomy**

### How shoppers arrive at buying decisions

| | Paneling | Molding | Lumber/Plywood |
|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 8.6% | 9.3% | 25.9% |
| Importance of . . . | | | |
| • Brand (mean rating*) | 3.36 | 3.01 | 3.08 |
| Rank—40 products | 23 | 31 | 29 |
| • Store (mean rating*) | 4.69 | 4.32 | 5.10 |
| Rank—40 products | 20 | 31 | 7 |
| Preference for . . . | | | |
| • Brand | 12% | 0% | 10% |
| • Store | 77% | 92% | 90% |
| Home center | 49% | 55% | 56% |
| Hardware | 4% | 11% | 5% |
| Warehouse | 6% | 11% | 12% |
| Sears/Dept. | — | 2% | 1% |
| Discount | 1% | — | 1% |
| Specialty | 1% | 2% | 1% |

*1 = low/9 = high

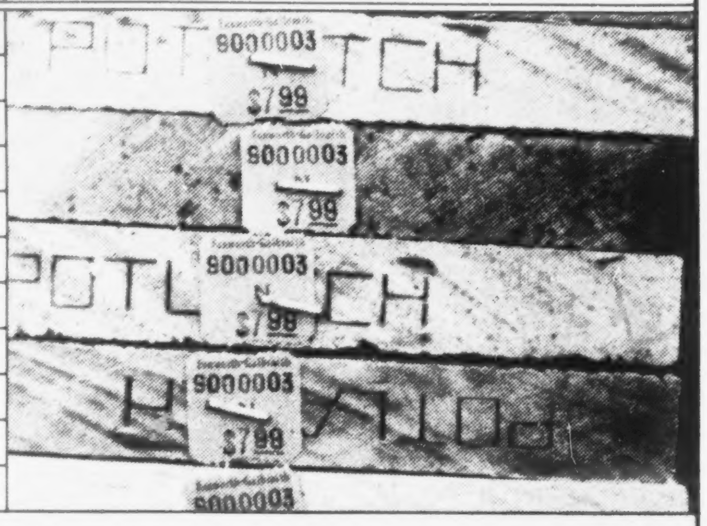
Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

### What people look for when buying:

| WALL PANELING | |
|---|---|
| Look/style | 38.8% |
| Wood | 25.6 |
| Quality | 24.0 |
| Value/price | 17.4 |
| Thickness | 14.0 |
| Durability | 9.1 |
| Sturdy craftsmanship | 7.4 |
| Texture | 7.4 |
| Finish | 5.0 |
| Easy to clean | 5.0 |

| MOLDING | |
|---|---|
| Looks/style | 38.2% |
| Quality | 19.1 |
| Wood type | 14.7 |
| Value/price | 4.4 |
| Durability | 4.4 |
| Guarantee | 1.5 |
| Size/fit | 1.5 |
| Don't know/not answering | 30.9 |

| LUMBER/PLYWOOD | |
|---|---|
| Quality | 65.7% |
| Value/price | 19.1 |
| Looks/style | 6.2 |
| Type of wood/oak | 5.6 |
| Sturdy craftsmanship | 5.1 |
| Durability | 3.9 |
| Thickness/size | 3.9 |
| Brand names | 1.7 |
| Selection/variety | 1.1 |
| Don't know/not answering | 15.2 |



Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Prospective buyers for paneling, molding, lumber and plywood show virtually no brand preference, but at least half said they would be shopping a home center when they purchased these products.*
- *Shoppers want "looks and style" when buying paneling or molding, with quality and whether it is made of wood also being important to paneling buyers.*

Over one-fourth of American households plan to purchase lumber or plywood over the coming year, while close to 1 out of 10 plan purchases of paneling and molding.

In none of these three categories do consumers exhibit much preference for specific brands. Only 1 out of 10 consumers interviewed for a recent Consumer Attitude Survey exhibited brand preferences for lumber, plywood or paneling. And virtually no one had specific brand preferences for molding.

While consumers did not have specific brands in mind while planning their shopping, they nevertheless felt that brand would be somewhat important in their consideration for products where looks, style and quality can vary by vendor. On a scale of one to nine, consumers valued the importance of brand name by giving them mean ratings of 3.01 to 3.36, for the three product categories.

In contrast, consumers felt that the choice of stores was very important in purchasing lumber and plywood. A mean ranking of 5.10 as to store importance in the purchase of these commodities ranked these items of merchandise seventh out of 40 major home improvement products.

Most consumers seem to know what store they prefer to patronize for all these products. Some 9 out of 10 shoppers have definite stores in mind when they plan their purchases of lumber, plywood and molding. And over three-fourths have definite sources of supply for paneling.

About half of the consumers interviewed said that home centers were their preferred sources for paneling, while other types of stores captured only small portions of the vote. Over half of the consumers also chose home centers as their preferred sources for the other product categories. Additionally, about 1 out of 10 shoppers selected hardware stores as their preferred sources for molding, and warehouse stores as preferred sources for either molding or lumber/plywood.

About 2 out of 5 shoppers named "looks and style" as the most important considerations for the purchase of wall paneling and molding. About one-fourth of the shoppers said that "real wood" was an important buying consideration for paneling.

For lumber and plywood, however, "quality" was by far the No. 1 criterion for purchase, being selected by some 66% of shoppers.

# Wall cover sales rest on courting middle aged

Consumers buying wallpaper, paint and paint sundries in the next 12 months will attach a relatively high degree of importance to both brand and the store they'll shop in arriving at their buying decisions.

Retailers selling merchandise to these customers will most likely find a somewhat older buying group that may not be completely familiar with what a home center is or has to offer. But it will be incumbent upon these dealers to attract as many of these customers into their stores as possible

Two out of every 5 households in the United States plan to purchase a paint brush over the next 12 months, and nearly half said they would be buying wall or house paint. About 20% were also anticipating the purchase of both caulking and wallpaper.

However, these consumers, for the most part, were less able to pinpoint exactly what they were looking for when they bought this merchandise than were consumers buying other product groups listed in this year's Consumer Attitude Study. For instance, 14% of those consumers planning to buy caulking said quality would be the primary characteristic they sought, but another 14% said "durability," 12% said "value/price," and 11.4% said "the materials it is made of."

Nearly half of those planning to buy wallpaper were looking for "looks/style" in their products; more than one-third of prospective paint brush and roller buyers wanted quality, but another quarter price would dictate their purchases. And while the highest percentage of paint customers will be looking for quality products, many potential customers also want durability and ease of cleaning.

This uncertainty is compounded by the fact that, unlike other product groups, decorative products don't have the same level of allegiance to brand among consumers, and store preference is also somewhat spotty.

With the exception of paint, which ranked third among all 40 products in the study for importance of brand, the name on a product plays a relatively insignificant role for consumers buying such decorative merchandise.

It appears the store at which these products are sold could be the salient factor in a consumer's buying decision, even though store preference was unusually low for wallpaper

Consequently, it behooves the dealer to play up his store's profile when selling these items, something that home centers have done only fitfully, on the basis of the study's analysis.

That home centers are a less-significant factor in decorative products than other lines of merchandise is something that has been borne out in other studies, such as the 1983 Baseline Study of the DIY Consumer done by the DIY Institute (*NHCN*, Feb. 14, 1983).

**Product Buying Anatomy**

### What people look for when buying:

| PAINT BRUSHES | |
|---|---|
| Quality | 35.2% |
| Value/price | 26.4 |
| Mat'l/nylon | 22.0 |
| Durability | 12.6 |
| Size/width | 12.6 |
| Sturdy craftsmanship | 4.4 |
| Sales/ads | 4.4 |
| Easy to clean | 3.8 |
| Brand names | 3.1 |
| Looks/style | 2.5 |

| WALL HOUSE PAINT | |
|---|---|
| Quality | 44.6% |
| Durability | 24.2 |
| Easy to clean | 23.7 |
| Looks/style | 19.4 |
| Value/price | 14.0 |
| brand names | 13.4 |
| Latex in it | 7.0 |
| Guarantee | 4.8 |
| Waterproof/weatherproof | 3.2 |
| Oil base | 2.2 |

| CAULKING/SEALANTS | |
|---|---|
| Quality | 14.3% |
| Durability | 13.6 |
| Value/price | 12.1 |
| Mat'l: silicone | 11.4 |
| Brand names | 9.3 |
| Adhesion | 9.3 |
| Pliability | 8.6 |
| Ease of application | 7.9 |
| Weatherproof/waterproof | 5.7 |
| Sturdy craftsmanship | 2.9 |

| WALLPAPER | |
|---|---|
| Looks/style | 48.0% |
| Washable | 24.0 |
| Quality | 15.2 |
| Prepasted/easy to put on | 14.4 |
| Durability | 11.2 |
| Mat'l: vinyl/fabric | 10.4 |
| Value/price | 8.8 |
| Sturdy craftsmanship | 4.8 |
| Brand names | 3.2 |
| Stripable | 2.4 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

### How shoppers arrive at buying decisions

| | Paint Brushes | Wall House Paint | Caulking Sealants | Wallpaper |
|---|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 40.5% | 46.6% | 17.9% | 18.0% |
| Importance of . . . | | | | |
| • Brand (mean rating*) | 3.11 | 5.59 | 4.14 | 3.46 |
| Rank—40 products | 28 | 3 | 14 | 20 |
| • Store (mean rating*) | 5.60 | 5.72 | 4.81 | 4.91 |
| Rank—40 products | 4 | 2 | 13 | 12 |
| Preference for . . . | | | | |
| • Brand | 13% | 58% | 31% | 14% |
| • Store | 93% | 90% | 89% | 75% |
| Home center | 28% | 15% | 41% | 15% |
| Hardware | 24% | 14% | 19% | 4% |
| Warehouse | 4% | 2% | 9% | 1% |
| Sears/Dept. | 13% | 23% | 2% | 4% |
| Discount | 10% | 4% | 6% | — |
| Specialty | 11% | 27% | 5% | 43% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Consumers place a premium on quality when shopping for paint, and want looks and style in the wallpaper they buy.*
- *A large percentage of United States households plan to buy decorative products over the next year. But home centers will have to fight hard for this business, as specialty stores, Sears and even hardware outlets appear to be preferred*

# Exterior shoppers show wide ranging attitudes

## Product Buying Anatomy

### How shoppers arrive at buying decisions

|  | Gutters/ Downsprouts | Roofing | Storm Doors/ Windows | Replacement Windows |
|---|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 7.0% | 6.7% | 8.0% | 5.9% |
| Importance of . . . |  |  |  |  |
| • Brand (mean rating*) | 2.93 | 3.45 | 4.05 | 3.02 |
| Rank—40 products | 32 | 22 | 15 | 30 |
| • Store (mean rating*) | 4.08 | 4.48 | 5.00 | 4.80 |
| Rank—40 products | 39 | 27 | 9 | 15 |
| Preference for . . . |  |  |  |  |
| • Brand | 7% | 11% | 16% | 15% |
| • Store | 69% | 62% | 81% | 68% |
| Home center | 42% | 32% | 35% | 36% |
| Hardware | 3% | 15% | 5% | 17% |
| Warehouse | 6% | 3% | 5% | 6% |
| Sears/Dept. | 11% | — | 14% | 2% |
| Discount | — | — | 3% | — |
| Specialty | 3% | 3% | 10% | 6% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

### What people look for when buying:

| GUTTERS/DOWNSPOUTS |  | ROOFING |  |
|---|---|---|---|
| Aluminum/steel | 27.1% | Quality | 21.1% |
| Durability | 16.9 | Durability | 16.7 |
| Quality | 13.6 | Thickness | 12.1 |
| Value/price | 10.2 | Looks/style | 10.6 |
| Rust proof | 10.2 | Guarantee | 10.6 |
| Plastic not metal | 8.5 | Sturdy craftsmanship | 7.6 |
| Sturdy craftsmanship | 5.1 | Value/price | 6.1 |
| Guarantee | 5.1 | Fiberglass/looks like wood | 6.1 |
| Looks/style | 3.4 | Brand names | 4.5 |
| Brand names | 1.7 | Interlocking | 3.0 |
| **STORM DOORS/WINDOWS** |  | **REPLACEMENT WINDOWS** |  |
| Sturdy craftsmanship | 29.3% | Double pane of glass | 25.5% |
| Insulation/double pane | 22.0 | Value/price | 17.3 |
| Quality | 14.6 | Quality | 13.3 |
| Durability | 13.4 | Size/fit | 12.2 |
| Made of aluminum | 13.4 | Looks/style | 10.2 |
| Looks/style | 9.8 | Mat'l wood/metal | 10.2 |
| Size/fit | 9.8 | Sturdy craftsmanship | 9.2 |
| Safety features | 6.1 | Brand names | 7.1 |
| Self contained door | 6.1 | Durability | 5.1 |
| Brand names | 2.4 | Easy to install | 5.1 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Those consumers planning to buy exteriors this year show relatively low brand and store preference.*
- *The construction and material design of exterior products plan a more important role than any other characteristic—except "quality" for roofing—affecting a consumer's buying decision.*

Home center retailers selling exterior products can expect modest sales over the next year from a widely diverse group of prospective consumers, who in most cases pay little attention to either brand name or store in their buying habits.

The challenge for home center retailers, who thus far have done a good job in marketing these products, will be to devise merchandising and promotional programs that cater to a consumer universe that, in many respects, defies definition.

Over one fifth of those customers who plan to buy gutters or downspouts over the next 12 months are retired, and more than 2 out of every 5 customers of replacement windows, gutters, and roofing are over 45 years old.

On the other hand, nearly 30% of those consumers who will purchase storm doors and windows during this period are under 30, though the greatest percentage—40.2%—are between 31 and 44.

In all cases, these consumers have a specific characteristics in mind when they shop these products, far more so than buyers in other product sectors: for example, more than a quarter of those planning to buy guttering, the highest percentage of this group, said that the product had to be made of aluminum or steel, and not plastic, before they would purchase it; about the same percentage of consumers buying replacement windows said the product needed to have double-paned glass, and for storm door and window shoppers, durability and insulated construction would be the most important factors.

Only among roofing buyers was the most nebulous term "quality" listed as the most important product feature.

On the whole, these products will be bought by 8% or less of total United States households in the coming year. But, as is noted elsewhere in this year's *National Home Center News* Consumer Attitude Study, the probability of product sales sometimes masks potential for bigger ticket purchases. For instance, of those consumers planning to buy replacement windows, only 5.9% of the total, 36.7% plan to "definitely" begin a major DIY project they estimate will cost $6,038.

GOOD VALUE.

JX-7® wood windows and patio doors give you name brand quality at significantly lower cost. That's good value and good business. You can sell JX-7 styling and energy efficiency and take a higher profit margin. Or, you can pass the cost savings on and use the lower prices to be more competitive and increase your volume. And JX-7 products are nationally distributed but regionally produced so you can be sure of continued availability and fast delivery, even in boom times.

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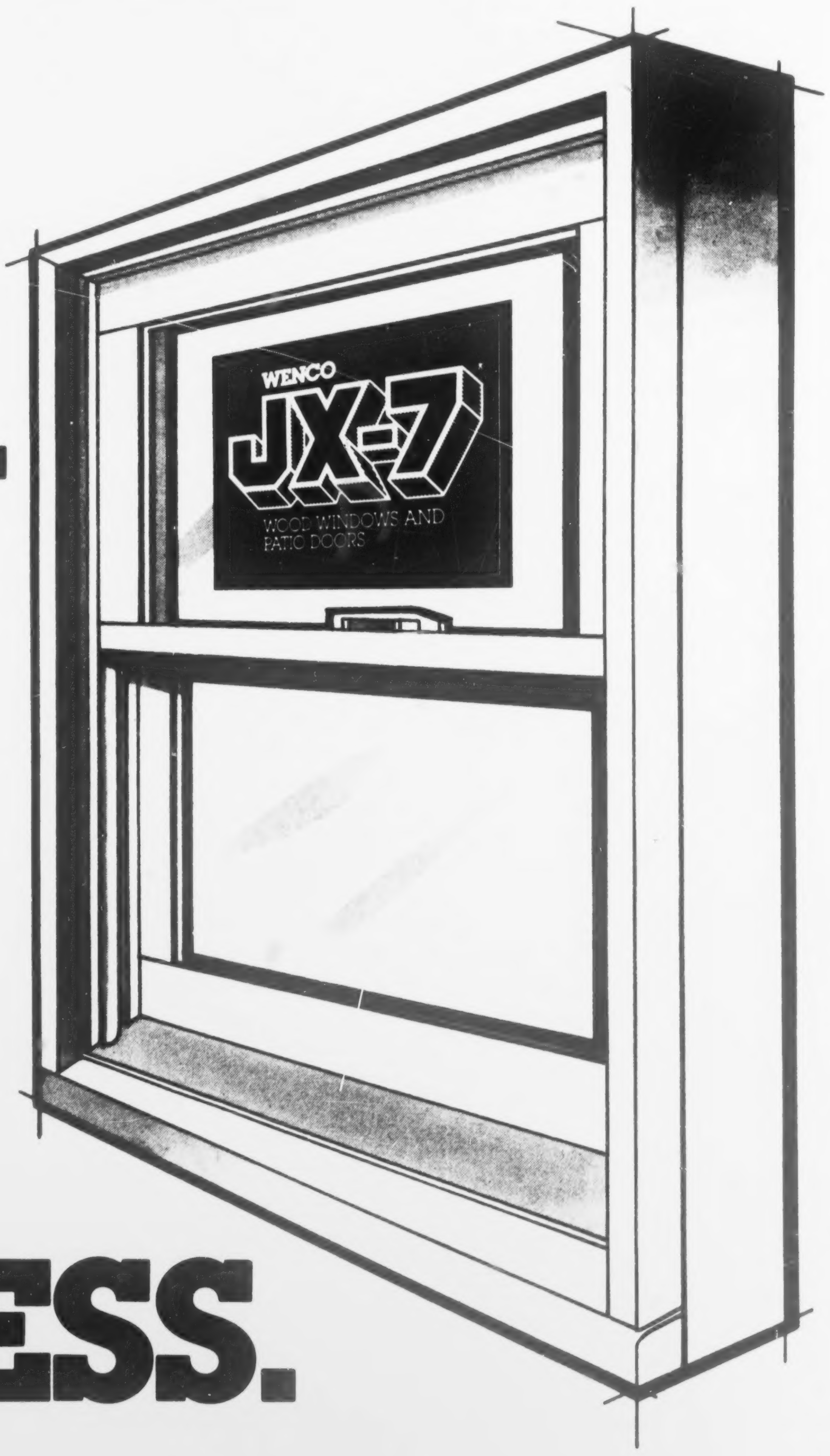
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WOOD WINDOWS AND PATIO DOORS

*NHCN*'s 1984 Consumer Attitude Survey

# Buyers unresponsive to energy brand names

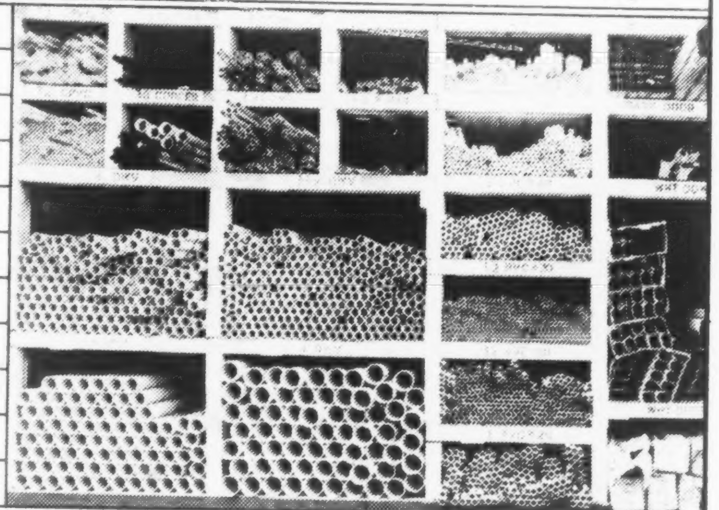
## Product Buying Anatomy

### What people look for when buying:

| PLUMBING, PIPES, FITTINGS | |
|---|---|
| Mat'l: copper/bronze | 45.6% |
| Value/price | 10.5 |
| Durability | 10.5 |
| Quality | 8.8 |
| Size needed | 8.8 |
| Brand names | 7.0 |
| Sturdy craftsmanship | 3.5 |
| Guarantee | 1.8 |
| Selection/variety | 1.8 |
| Don't know/not answering | 19.3 |

| WATER HEATERS | |
|---|---|
| Capacity/size | 47.0% |
| Guarantee | 28.8 |
| Energy efficient | 16.7 |
| Value/price | 12.1 |
| Quality | 10.6 |
| Glass lining | 10.6 |
| Sturdy craftsmanship | 9.1 |
| Durability | 7.6 |
| Brand names | 7.6 |
| Type of insulation | 7.6 |

| INSULATION | |
|---|---|
| Thickness | 27.4% |
| Value/price | 20.4 |
| Heat saved | 13.3 |
| Fiberglass | 13.3 |
| Quality | 7.1 |
| Brand names | 7.1 |
| Safety features | 6.2 |
| Rolls of insulation | 6.2 |
| Durability | 3.5 |
| Guarantee | 2.7 |



Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

### How shoppers arrive at buying decisions

| | Plumbing/Pipe | Water Heaters | Insulation |
|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 8.7% | 4.5% | 8.8% |
| Importance of . . . | | | |
| • Brand (mean rating*) | 3.21 | 4.61 | 3.78 |
| Rank—40 products | 27 | 8 | 17 |
| • Store (mean rating*) | 4.91 | 5.09 | 4.17 |
| Rank—40 products | 11 | 8 | 36 |
| Preference for . . . | | | |
| • Brand | 19% | 33% | 33% |
| • Store | 86% | 74% | 70% |
| Home center | 33% | 17% | 34% |
| Hardware | 26% | 9% | 10% |
| Warehouse | 2% | — | 4% |
| Sears/Dept. | 5% | 26% | 7% |
| Discount | 2% | 6% | 3% |
| Specialty | 5% | 14% | 3% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Nearly half of the prospective water heater buyers look at the unit's size/capacity before buying while, for plumbing purchasers, the product's material makeup is most important. More than a quarter of those looking to buy insulation evaluate its thickness, and another 20% compare price.*
- *Consumers place only modest importance on brands when shopping plumbing and insulation, and they prefer to buy these items in a home center than other retail outlets.*

One third of the households planning to buy either plumbing fittings and pipe or home insulation this year will do so in a home center. But despite heavy and constant promotional efforts, consumers don't seem to be flocking to home centers to buy out water heaters.

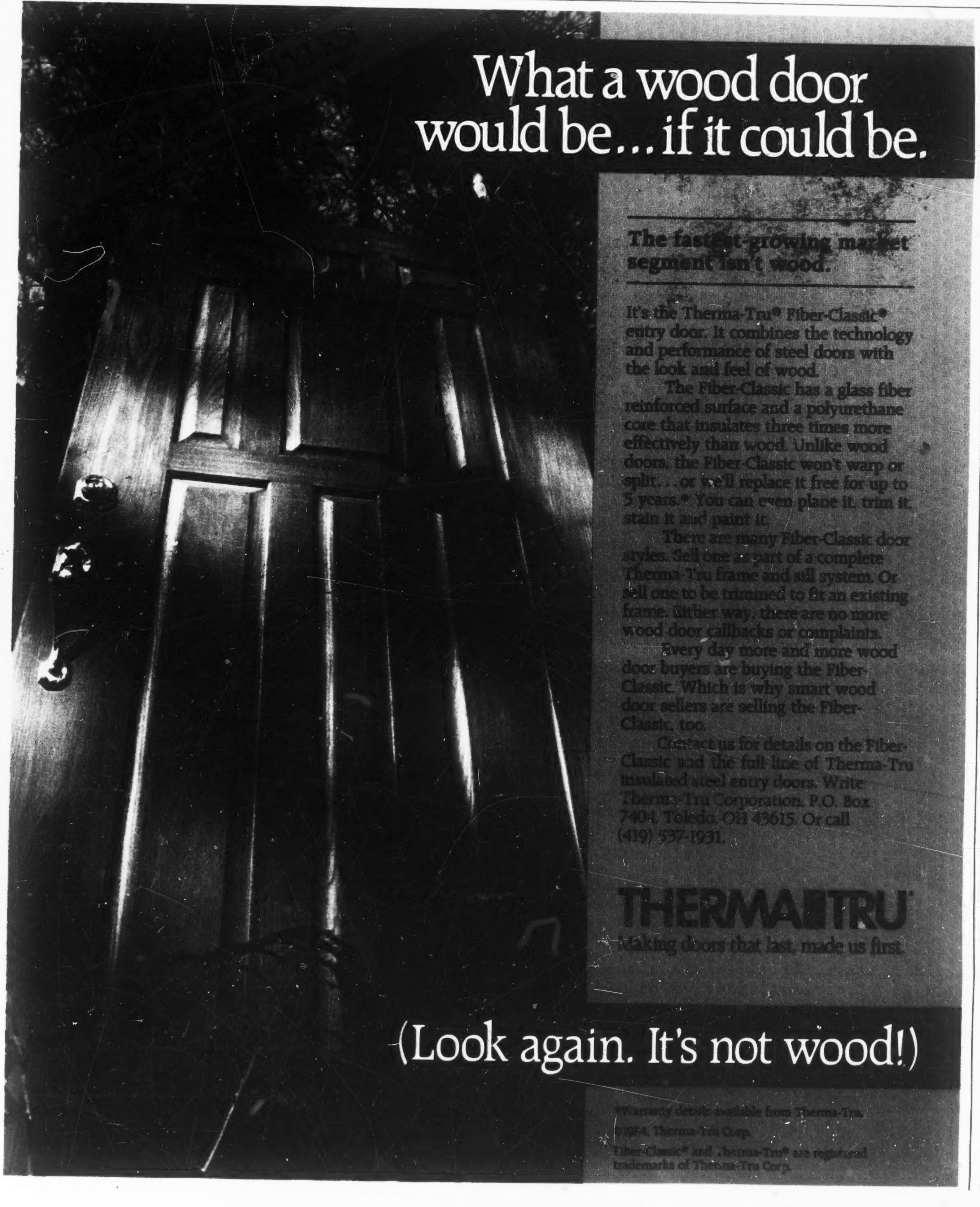
Less than 5% of all United States households said they planned to buy a hot water heater over the next 12 months, although most retailers agree that the ultimate size of this product's sales market is virtually never determined by planning: people buy heaters when their old ones break down. The 9% of those households that will purchase either plumbing or insulation, which are more discretionary in their installation, is perhaps a more accurate reflection of how big the market for these products might be.

It should also be noted that this year's *National Home Center News* Consumer Attitude Study correlated product buying incidence with a customer's probable DIY home improvement activity, and found that nearly 40% of those planning to buy home insulation would "definitely" begin a major home improvement project this year, and spend in excess of 6,400, indicating that retailers could be remiss to downplay this category in their store's merchandising selection.

It is hard, though, to gauge just how much a store's marketing actually affects the sale of these products, as consumers buying water heaters and insulation show relatively little store preference, and the importance of a store in an insulation buyer's buying decision ranked fifth from the bottom among 40 products on the study.

Brand name merchandising has even less effect on these consumers. Water heater buyers—most probably those who are shopping at Sears—appear to put brand high on their list of things that determine what and where they buy. But consumers of the other two product categories appear less fazed by what name is associated with the products.

Where consumers will shop for these products, then, is more of a crap shoot for dealers than they face with most other products, where customer loyalties to store or brand are more clearly defined.



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The fastest-growing market segment isn't wood.

It's the Therma-Tru® Fiber-Classic® entry door. It combines the technology and performance of steel doors with the look and feel of wood.

The Fiber-Classic has a glass fiber reinforced surface and a polyurethane core that insulates three times more effectively than wood. Unlike wood doors, the Fiber-Classic won't warp or split . . . or we'll replace it free for up to 5 years.* You can even plane it, trim it, stain it and paint it.

There are many Fiber-Classic door styles. Sell one as part of a complete Therma-Tru frame and sill system. Or sell one to be trimmed to fit an existing frame. Either way, there are no more wood door callbacks or complaints.

Every day more and more wood door buyers are buying the Fiber-Classic. Which is why smart wood door sellers are selling the Fiber-Classic, too.

Contact us for details on the Fiber-Classic and the full line of Therma-Tru insulated steel entry doors. Write Therma-Tru Corporation, P.O. Box 7404, Toledo, OH 43615. Or call (419) 537-1931.

THERMA-TRU
Making doors that last, made us first.

(Look again. It's not wood!)

*Warranty details available from Therma-Tru.

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## *NHCN's* 1984 Consumer Attitude Survey

# Looks and style head list of decorative criteria

**Product Buying Anatomy**

*How shoppers arrive at buying decisions*

| | Ceiling Tile | Mirror Tile | Window Blinds | Floor Tile | Sheet Vinyl |
|---|---|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 4.1% | 2.8% | 8.3% | 9.5% | 8.6% |
| Importance of . . . | | | | | |
| • Brand (mean rating*) | 3.36 | 2.66 | 4.31 | 4.53 | 4.37 |
| Rank—40 products | 24 | 37 | 13 | 9 | 12 |
| • Store (mean rating*) | 4.38 | 3.77 | 4.31 | 5.31 | 4.10 |
| Rank—40 products | 29 | 40 | 32 | 6 | 38 |
| Preference for . . . | | | | | |
| • Brand | 30% | 6% | 31% | 33% | 49% |
| • Store | 91% | 100% | 68% | 77% | 77% |
| Home center | 47% | 50% | 10% | 17% | 32% |
| Hardware | 13% | 9% | 2% | 6% | 9% |
| Warehouse | 6% | 14% | 5% | 4% | 6% |
| Sears/Dept. | 9% | 9% | 29% | 9% | 7% |
| Discount | 3% | 14% | 5% | — | — |
| Specialty | 9% | 5% | 10% | 30% | 21% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

• *Consumers were asked if they planned to buy each of the 40 products tracked in this year's Consumer Attitude Study, and those that did rated store and brand preference to their purchasing decisions on a scale of one to nine. The study also charted the percentage of consumers with preferences for a product's brand name or where it would be shopped.*

"Looks and style" are by far the most important criteria—more than value, quality and brand—sought by consumers buying such decorative accessories as window blinds, ceiling tile, floor tile, mirror tile and vinyl sheeting.

Close to 10% of United States households stated they planned to make a purchase of floor tile over the coming year, according to a new *National Home Center News* Consumer Attitude Survey. About 9% of United States households said they planned to purchase sheet vinyl and window blinds, 4% said they planned to buy ceiling tile and 3% said they planned to buy mirror tile.

As for the importance of brand name in the purchasing decision, consumers said brand was more important for floor tile, sheet vinyl and window blinds, and far less important to the buying decision for ceiling tile and mirror tile. Home centers may well conclude that promoting appearance rather than brand for the last two categories makes the most sense.

Consumers had a specific brand in mind half the time for sheet vinyl, and about a third of the time for the other categories except mirror tile, where a specific brand was mentioned by only 6% of those likely to buy the product.

As for the importance of the store when making a selection, only in the case of floor tile did consumers seem to feel the retailer selected made a significant difference to their buying decision. This may reflect the fact that stores stock various levels of depth for the product.

Close to 4 out of 5 households likely to buy the item already had specific stores in mind when they planned their shopping for floor tile and sheet vinyl. And, despite the fact that store selection was not seen as an important shopping criterion by consumers of ceiling tile and mirror tile, 9 out of 10 already knew what store they would patronize for these products.

A full half of consumers specified home centers as their preferred store to purchase mirror tile; 47% said they would prefer to purchase ceiling tiles at such stores.

However, only 10% of consumers said they would prefer to purchase window blinds at home centers; while about 30% said they would rather patronize department stores.

Again, only 17% said they would prefer to buy floor tile at home centers, while 30% said they would rather go to specialty stores.

The survey showed that mirror tile appeals to a younger shopper than do products in the other four categories. About 38% of those saying they would purchase mirror tile were under 30, while only 19% were over 45.

For the other product categories; 30% to 38% were over 45. Only 13% to 21% were under 30 who planned to purchase floor and ceiling products. For window blinds, 35% of the consumers planning a purchase were under 30.

# Survey findings spell out buying decision ingredient

How old is the average consumer looking to buy a bathroom sink? (Two-thirds are under age 45, and one-fifth are under age 30.)

How likely is it that a bathroom sink buyer will take on a major project this year? (Virtually 50% of households buying a bathroom sink this year "definitely" plan a major project in the next 12 months . . . and plan to spend an average of $5,315.)

How important is brand? Do consumers prefer one brand over another? Which one? (On a scale of one to nine, consumers say brand rates 3.46 in importance—nine would be most important—and 24% of the households in the market say they have a preference.)

These and other specific answers are part of a 241-page summary of product data that spells out the ingredients that go into the buying decisions among consumers in the market for 40 selected home improvement products, on a product by product basis.

The product analysis summary, which is part of the larger study conducted for *National Home Center News* by Leo J. Shapiro & Associates on consumer shopping trends, is broken down, by product, into six summary tables showing:

• **Buying incidence, shopping confidence, importance of store and brand in the buying decision:** This table states the percentages of those United States households likely to buy the product in question over the next 12 months. Among those with those plans, the table describes the level of his or her confidence in their ability to buy merchandise.

The shoppers were then asked to evaluate the relative importance of the store and brand in their buying decisions, and their responses are broken down by percentages into three groups, "very important," "in-between," and "not so important."

The mean averages, on a 1-to-9 scale, are given for shopping confidence, as well as store and brand importance.

• **Store preference:** This table shows a consumer's preference for shopping one store over another when he or she purchases a product and, among those with preferences, the popularity of department stores, discount stores, hardware stores, home centers, home improvement warehouses and specialty outlets is assessed.

• **Brand preference:** This table examines whether prospective buyers harbor any brand preferences when they shopped, and if so, which brands they favored.

The tables list the unaided responses consumers gave about which brands they favored, yielding some interesting results. In several cases, the brands mentioned simply don't exist, an indication that consumers may not be fully cognizant about what is on the market, or are less affected by advertising than dealers or suppliers think.

• **Product features and performance characteristics:** Consumers planning to buy any of the 40 products in the study were asked to list what features and "performance" characteristics they sought when shopping an item. These ranges from "quality," to "durability," to price and value, with some consumers also pointing to the "looks and style" of a product, or its size, thickness, installation ease and even material makeup as factors that play a role in a customers buying habits.

• **Associated project plans and spending:** This table in the entire study correlates a prospective product purchase with that buyer's propensity for engaging in a major DIY project, breaking out by percentage, whether a customer will "definitely," "maybe" of "definitely not" tackle a major project in the coming 12 months; how much they expect to spend; whether they will do all of the work, or hire someone else to do all or part of the work. Respondents were also asked to estimate how much they have spent for total home improvement expenditures during the past year.

• **Demographic characteristics of the buyer:** The last table gives the reader demographic insights into the buyers of each product category, from the number of people in the household to how many children they have living in that residence.

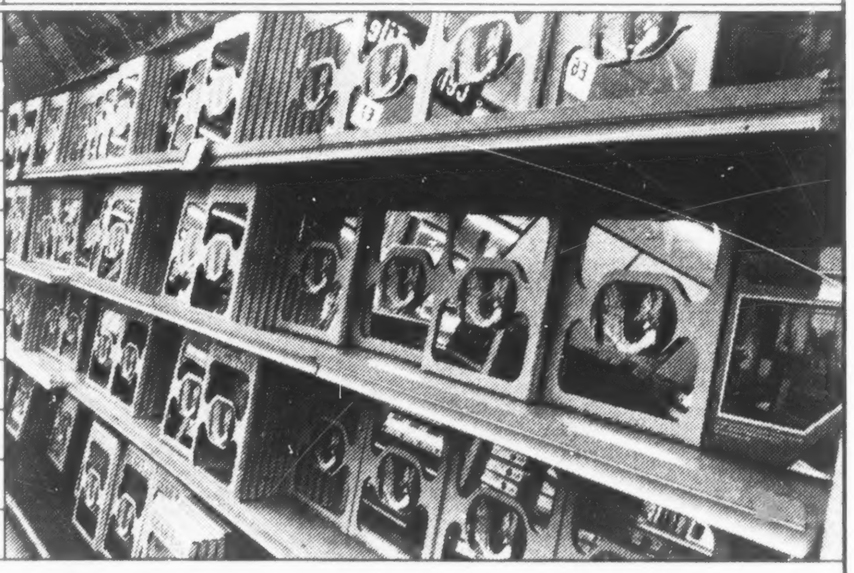
**Product Buying Anatomy**

*What people look for when buying:*

| CEILING TILE | | MIRROR TILE | |
|---|---|---|---|
| Looks/style | 31.9% | Looks/style | 60.4% |
| Quality | 21.3 | Quality | 17.0 |
| Value/price | 17.0 | Value/price | 11.3 |
| Durability | 10.6 | Adhesion to wall | 9.4 |
| Thick for insulation | 10.6 | Durability | 7.5 |
| Sturdy craftsmanship | 8.5 | Gauge | 7.5 |
| Easy to put up | 8.5 | Sturdy craftsmanship | 3.8 |
| Brand names | 6.4 | Don't know/not answering | 22.6 |
| Texture/smooth finish | 6.4 | | |
| Selection/variety | 2.1 | | |

| FLOOR TILE | | SHEET VINYL/FLOOR COVERING | |
|---|---|---|---|
| Looks/style | 29.7% | Looks/style | 32.9% |
| Durability | 20.3 | Durability | 31.6 |
| Easy to clean/no wax | 20.3 | No wax | 29.1 |
| Value/price | 17.2 | Quality | 16.5 |
| Quality | 12.5 | Value/price | 12.7 |
| Brand names | 10.9 | Brand names | 11.4 |
| Sturdy craftsmanship | 3.1 | Sturdy craftsmanship | 10.1 |
| Waterproof | 3.1 | Guarantee | 1.3 |
| Guarantee | 1.6 | Don't know/not answering | 22.8 |
| Size | 1.6 | | |

| WINDOW BLINDS | |
|---|---|
| Looks/style | 46.9% |
| Value/price | 13.6 |
| Keeps room dark | 12.3 |
| Durability | 11.1 |
| Material | 11.1 |
| Quality | 7.4 |
| Sturdy craftsmanship | 6.2 |
| Easy to clean | 4.9 |
| Brand names | 3.7 |
| Selection/variety | 1.2 |



Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

• *More than 60% of those households planning to buy mirror tile in the next year will base their buying decision on the product's looks and style, as will about 3 out of every 10 buyers of ceiling tile, floor tile and vinyl floor covering. In the last product group, consumers judged durability and a "No Wax" finish as being equally important to their choice of product.*

*NHCN's* 1984 Consumer Attitude Survey

# Quality not only factor in electrical, ceiling fans

## Product Buying Anatomy

### How shoppers arrive at buying decisions

| | Interior Light Fixtures | Electric Sockets/ Switches | Electric Cable/Wire | Ceiling Fans |
|---|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 14.1% | 10.4% | 11.6% | 10.3% |
| Importance of . . . | | | | |
| • Brand (mean rating*) | 3.36 | 2.85 | 2.75 | 4.39 |
| Rank—40 proaucts | 25 | 34 | 35 | 11 |
| • Store (mean rating*) | 4.79 | 4.27 | 4.11 | 4.97 |
| Rank—40 products | 16 | 34 | 37 | 10 |
| Preference for . . . | | | | |
| • Brand | 11% | 16% | 6% | 32% |
| • Store | 67% | 83% | 69% | 80% |
| Home center | 24% | 30% | 29% | 24% |
| Hardware | 6% | 19% | 9% | 14% |
| Warehouse | 4% | 2% | 9% | 4% |
| Sears/Dept. | 9% | 13% | 3% | 12% |
| Discount | 6% | 8% | 2% | 6% |
| Specialty | 10% | 6% | 10% | 18% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

- *At least one-quarter of all probable electricals buyers will shop a home center over the next year, even though store preference is soft among interior lighting and electrical wiring consumers.*
- *Prospective buyers of ceiling fans or interior lighting will demand esthetic stylishness when purchasing these items.*

### What people look for when buying:

| INTERIOR LIGHT FIXTURES | | ELECTRIC SOCKETS/SWITCHES | |
|---|---|---|---|
| Looks/style | 43.2% | Safety features | 15.1% |
| Value/price | 15.8 | Value/price | 10.5 |
| Quality | 14.9 | Quality | 9.3 |
| Sturdy craftsmanship | 6.1 | Looks/style | 8.1 |
| Guarantee | 6.1 | Size/amps | 8.1 |
| Durability | 5.3 | Brand names | 7.0 |
| Brand Names | 5.3 | Guarantee | 5.8 |
| Mat'l made of | 4.4 | Sturdy craftsmanship | 4.7 |
| Safety features | 3.5 | Durability | 3.5 |
| Size | 1.8 | Other | 2.3 |
| **ELECTRIC CABLE/WIRE** | | **CEILING FANS** | |
| Safety features | 16.5% | Looks/style | 39.1% |
| Guarantee | 14.3 | Different speeds | 29.1 |
| Quality | 11.0 | Value/price | 16.4 |
| Size/thick insulation | 11.0 | Size/fits room | 14.5 |
| Value/price | 9.9 | Has a light | 10.9 |
| Durability | 4.4 | Quality | 10.0 |
| Sturdy craftsmanship | 3.3 | Guarantee | 10.0 |
| Looks/style | 3.3 | Sturdy craftsmanship | 9.1 |
| Mat'l made of | 3.3 | Brand names | 8.2 |
| Brand names | 2.2 | Mat'l made of | 8.2 |

Source: *National Home Center News,* Leo J. Shapiro & Assoc. © 1984

About 1 out of every 10 households in the United States plan to purchase electrical goods in each of the categories of interior light fixtures, electric sockets/-switches, electric cable/wire, and ceiling fans over the coming year, according to a new *National Home Center News* Consumer Attitude Survey.

Among a range of electrical goods, consumers stated that brand names are relatively important to their buying decision for ceiling fans, giving that product a mean rating of 4.39 out of on a scale of one to nine (where nine is most important). Out of a total of 40 major home improvement products, ceiling fans ranked 11th in terms of brand importance in the buying decision.

In comparison, somewhat more commodity-oriented electrical products such as light fixtures, sockets, and cable lead consumers to rank them on the same scale as 25th, 34th, and 35th, respectively.

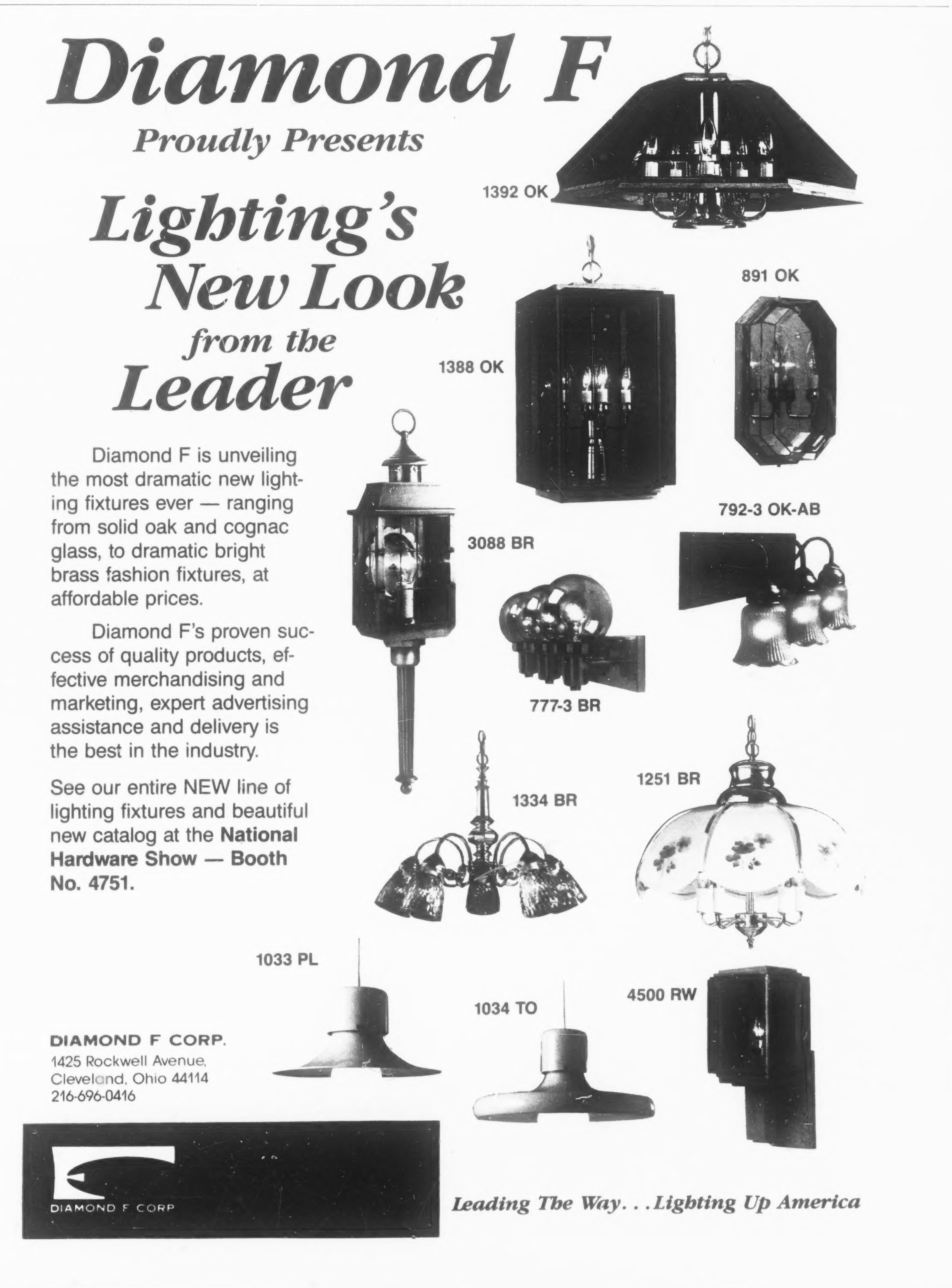
Few households, though, have a real preference for a specific brand.

That home centers may have an opportunity for private labeling or for educating the public about brand quality is reflected in the fact that only a third of consumers have a specific brand in mind when they go shopping for ceiling fans, despite the fact they feel brand name is especially important for that product.

At the same time, consumers feel the store from which they purchase ceiling fans is an important consideration, giving that criterion a mean ranking of 4.97, positioning the product 10th on a scale of 40 major items. Further, eight of 10 consumers reported they do have a specific store in mind when they shop for ceiling fans. However, only a fourth of the consumers specified home centers as those preferred stores, showing that ceiling fans have made smaller but healthy inroads at hardware, specialty and department stores.

Of the other three categories, only "interior light fixtures" was given a mean rating that put it in the top 20 list of products ranked in terms of the importance of store.

Consumers said "looks and style" was the most important criterion for purchasing ceiling fans and interior light fixtures.



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# Brand faucet promotions best kitchen tack

## Product Buying Anatomy

### How shoppers arrive at buying decisions

| | Kitchen Cabinets | Kitchen Sinks | Faucets |
|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 5.1% | 4.7% | 11.3% |
| Importance of . . . | | | |
| • Brand (mean rating*) | 2.92 | 3.63 | 5.01 |
| Rank—40 products | 33 | 19 | 5 |
| • Store (mean rating*) | 4.75 | 4.65 | 4.57 |
| Rank—40 products | 17 | 21 | 23 |
| Preference for . . . | | | |
| • Brand | 12% | 17% | 38% |
| • Store | 68% | 84% | 86% |
| Home center | 39% | 30% | 28% |
| Hardware | 5% | 11% | 18% |
| Warehouse | 2% | 11% | 4% |
| Sears/Dept. | 5% | 8% | 11% |
| Discount | 2% | 3% | 9% |
| Specialty | 7% | 8% | 12% |

*1 = low/9 = high

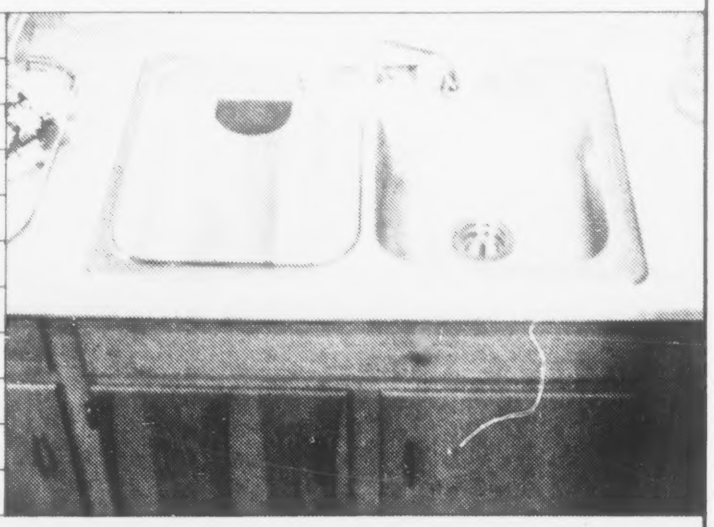
Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

- *Home centers were specified as the preferred stores most often by people planning to buy cabinets. About 1 out of 3 people planning to buy sinks and faucets also said that home centers were their preferred stores.*
- *"Looks and style" were named as the most important product characteristics by 1 out of 3 consumers planning to purchase faucets, making it by far the most important quality desired. Product materials were the most important qualities sought by cabinet and sink purchasers.*

### What people look for when buying:

| KITCHEN CABINETS | | KITCHEN SINKS | |
|---|---|---|---|
| Wood/real wood | 42.2% | Stainless steel | 37.1% |
| Looks/style | 36.1 | Size | 32.3 |
| Quality | 33.7 | Looks/style | 27.4 |
| Sturdy craftmanship | 20.5 | Quality | 14.5 |
| Durability | 14.5 | Value/price | 12.9 |
| Value/price | 8.4 | Mat'l made of | 9.7 |
| Size/fit | 7.2 | Sturdy craftsmanship | 8.1 |
| Brand names | 1.2 | Durability | 4.8 |
| Selection/variety | 1.2 | Brand names | 4.8 |
| Other | 4.8 | Guarantee | 1.6 |

| FAUCETS | |
|---|---|
| Looks/style | 32.7% |
| Washerless faucet | 20.6 |
| Brand names | 15.9 |
| Quality | 15.0 |
| Mat'l/copper/metal | 12.1 |
| Durability | 9.3 |
| Sturdy craftmanship | 8.4 |
| Value/price | 7.5 |
| Guarantee | 1.9 |
| Other | 5.6 |



Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

More than 1 out of every 10 households plans to purchase a faucet over the coming year. By level of consumer interest, the product ranked 13th on a list of 40 major home improvement items in a Consumer Attitude Survey recently completed for *National Home Center News*.

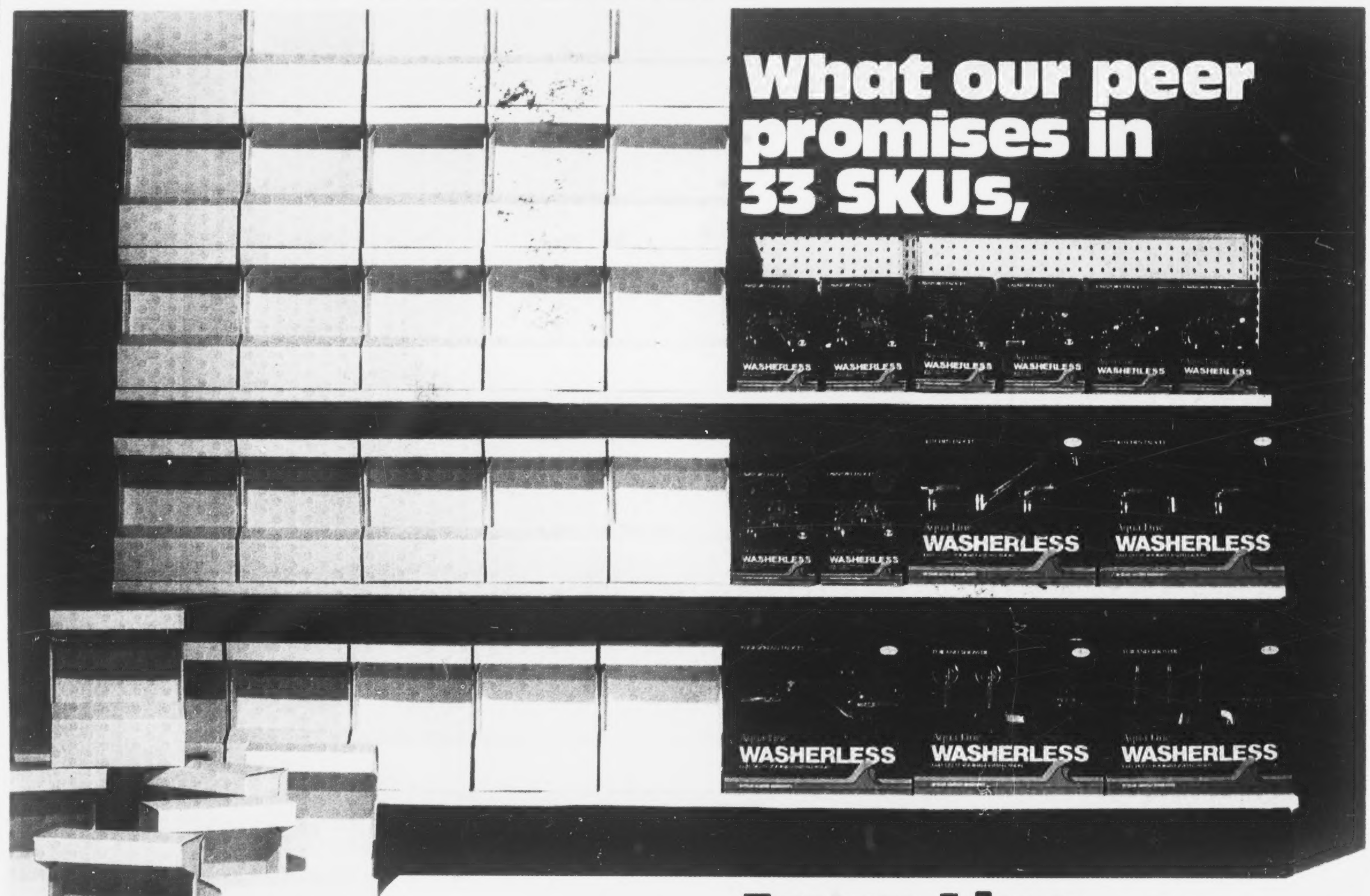
Kitchen cabinets and kitchen sinks, on the other hand, are products that only about 1 out of every 20 households plans to purchase. Retailers should benefit, however, from the much higher average ticket that purchasers of these products plan to spend. Consumers who definitely plan major projects and who plan to purchase kitchen cabinets expect to spend an average of $7,694 on home improvement projects in the coming 12 months, while those planning the purchase of a sink who also definitely plan major projects as well expect to spend close to $6,500 each on projects.

Of those consumers planning to purchase faucets over the coming year, some 38% plan to undertake a major project, and plan to spend some $5,963 on the average.

Home centers would benefit most from promoting brand names for faucets, according to results of the survey. Consumers ranked brand importance for this product at 5.01, on a scale of one to nine. Out of 40 products in the study, faucets ranked fifth in brand importance. And while a whopping 38% of consumers said they had specific brand preferences for faucets, only 12% to 17% of respondents felt the same way about cabinets and sinks.

Given the strong brand importance for faucets, it might be expected that consumers placed less importance on the store at which the product was bought. For cabinets and sinks, on the other hand, consumers apparently expected more expertise from their sources. These two products captured mean ratings of 4.65 and 4.75, for store importance, much higher than the ratings for brand importance.

For all three categories of products, however, consumers stated they preferred specific stores. Indeed, close to 9 out of 10 respondents said they preferred specific stores for the purchase of faucets. Close to 7 out of 10 preferred specific stores for cabinets.



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### *NHCN's* 1984 Consumer Attitude Survey

# Home centers dominate bath product category

**Product Buying Anatomy**

## *How shoppers arrive at buying decisions*

| | Shower Doors | Medicine Cabinets | Bathroom Sinks/Vanities |
|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 6.0% | 4.7% | 7.1% |
| Importance of . . . | | | |
| • Brand (mean rating*) | 2.53 | 2.71 | 3.46 |
| Rank—40 products | 38 | 36 | 20 |
| • Store (mean rating*) | 4.62 | 4.56 | 4.80 |
| Rank—40 products | 22 | 24 | 15 |
| Preference for . . . | | | |
| • Brand | 4% | 4% | 24% |
| • Store | 79% | 87% | 79% |
| Home center | 30% | 38% | 33% |
| Hardware | 11% | 14% | 9% |
| Warehouse | 6% | 3% | 2% |
| Sears/Dept. | 17% | 14% | 7% |
| Discount | — | 8% | 3% |
| Specialty | 11% | 3% | 19% |

*1 = low/9 = high

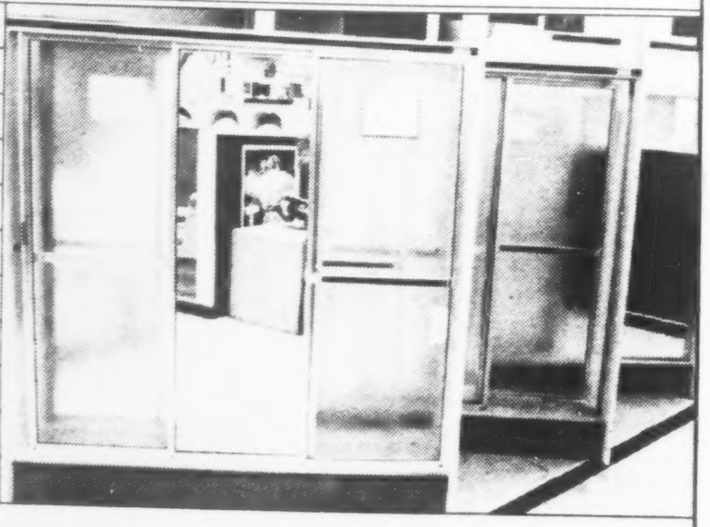
Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

## *What people look for when buying:*

| SHOWER DOORS | |
|---|---|
| How the door/frame is made | 29.0% |
| Sturdy/craftsmanship | 23.0 |
| Looks/style | 22.0 |
| Safety features | 11.0 |
| Leakproof | 11.0 |
| Size/fit | 11.0 |
| Quality | 9.0 |
| Durability | 9.0 |
| Easy to install | 7.0 |

| MEDICINE CABINETS | |
|---|---|
| Looks/style | 37.5% |
| Size | 30.6 |
| Mat'l made of | 23.6 |
| Sturdy craftsmanship | 19.4 |
| Value/price | 16.7 |
| Quality | 15.3 |
| Durability | 8.3 |
| Sliding door moves easily | 4.2 |
| Safety features | 1.4 |
| Guarantee | 1.4 |

| BATH SINKS/VANITIES | |
|---|---|
| Looks/style | 32.7% |
| Mat'l made of | 29.1 |
| Quality | 21.8 |
| Size/fit | 21.8 |
| Value/price | 18.2 |
| Sturdy craftsmanship | 12.7 |
| Durability | 10.0 |
| Brand names | 6.4 |
| Guarantee | 1.8 |
| Selection/variety | 1.8 |



Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

- *Consumers planning to purchase shower doors, medicine cabinets and sinks or vanities show very low preference toward brand names, and only modest interest in where they make the buys.*
- *The construction, looks and style of shower doors, medicine cabinets and bathroom sinks and vanities will be critical factors for consumers when they purchase these products, with price and durability being of less importance.*

Despite being relatively close demographically, consumers of bathroom sinks and vanities, and those purchasing medicine cabinets or shower doors, appear to be arriving at their buying decisions quite differently.

As the accompanying chart indicates, bathroom sink/vanity buyers placed a much higher premium on brand name merchandise in their buying decision than did medicine cabinet or shower door consumers, ranking 20th in brand preference among those 40 products analyzed in this year's *National Home Center News* Consumer Attitude Study.

That study also found that nearly half of the 7.1% of those households planning to buy a sink or vanity over the next 12 months also plan to conduct a major home improvement project during the same time, which puts this product category at the top of the study's product-project correlation listing.

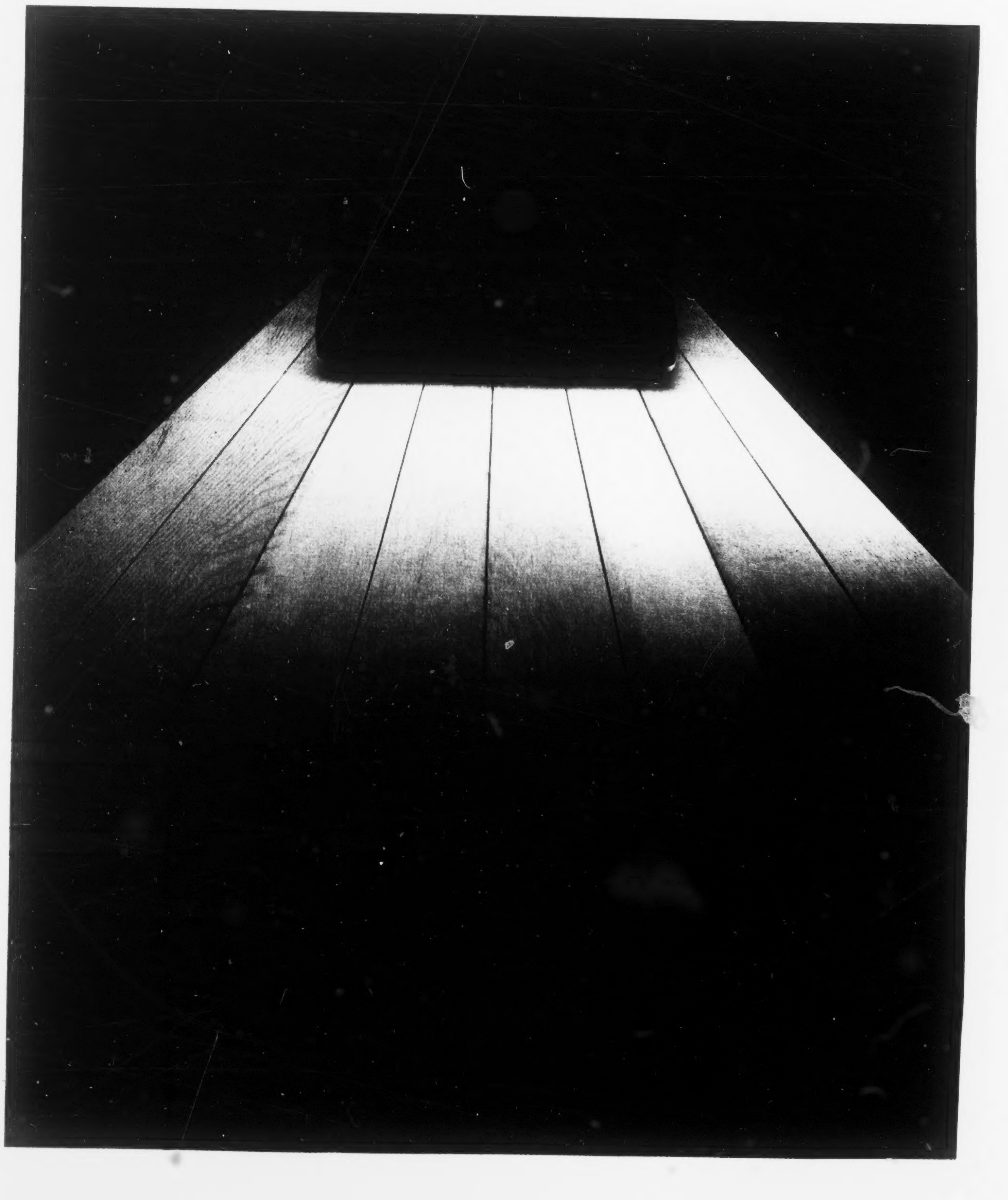
The importance attached to which store consumers would buy these products differed only slightly among the three customer groups, although medicine cabinet buyers showed a considerably greater degree of store preference—87%—than did buyers of the other two consumer product groups.

Nearly 2 out of every 5 likely buyers of medicine cabinets will probably purchase that product in a home center over the next year, with about one-third of the shower door and sink/vanity customers turning to a home center rather than another type of retailer.

Warehouse stores apparently are not perceived as an important marketer of these products yet, registering only a small percentage of preferred prospective sales, but specialty stores will still command a sizable portion of the bathroom sink/vanity market, with 1 in every 5 customers.

Hardware stores will get about one-seventh of the prospective medicine cabinet business over the next year, and Sears will capture close to 20% of the shower door market, according to the study.

When asked what characteristics they look for when choosing a product, all three consumer groups put "looks and style" at or near the top of the list.



*NHCN's* 1984 Consumer Attitude Survey

# Brand name powers lawn mower preferences

## Product Buying Anatomy

### How shoppers arrive at buying decisions

| | Garden Hose | Sprinklers | Power Mowers | Fencing |
|---|---|---|---|---|
| % of U.S. households who might buy in next 12 mos. | 14.4% | 9.3% | 6.5% | 6.9% |
| Importance of . . . | | | | |
| • Brand (mean rating*) | 2.53 | 3.65 | 4.71 | 3.23 |
| Rank—40 products | 39 | 18 | 7 | 26 |
| • Store (mean rating*) | 4.53 | 4.52 | 4.35 | 4.17 |
| Rank—40 products | 25 | 26 | 30 | 35 |
| Preference for . . . | | | | |
| • Brand | 7% | 28% | 44% | 14% |
| • Store | 93% | 91% | 82% | 80% |
| Home center | 21% | 27% | 21% | 38% |
| Hardware | 14% | 26% | 15% | — |
| Warehouse | 3% | 4% | — | 6% |
| Sears/Dept. | 20% | 15% | 15% | 18% |
| Discount | 28% | 16% | 6% | — |
| Specialty | 1% | 1% | 3% | 4% |

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

*Home centers can expect to get nearly 40% of all fencing sales over the next year, and more than one-fifth of power mower transactions. But they will get stiff competition from hardware stores and discount outlets when selling garden hose and sprinklers.*

- *In shopping for lawn and garden products like garden hose, sprinklers, power mowers and fencing, consumers will be looking for specific characteristics that focus on quality, durability, the product's dimensions and what it is made of.*

### What people look for when buying:

| GARDEN HOSE | | SPRINKLER | |
|---|---|---|---|
| Size/width/length | 31.8% | Size/covers area | 25.2% |
| Mat'l made of/rubber | 31.2 | Durability | 17.0 |
| Durability | 22.7 | Sturdy craftmanship | 13.2 |
| Sturdy craftmanship | 20.8 | Quality | 10.7 |
| Pliability | 20.1 | Value/price | 10.7 |
| Value/price | 14.9 | Metal fittings | 9.4 |
| Quality | 13.0 | Look/style | 3.8 |
| Guarantee | 6.5 | Brand names | 3.8 |
| Looks/style | 5.2 | Guarantee | 1.3 |
| Brand names | 2.6 | Other | 3.1 |
| **POWER MOWERS** | | **FENCING** | |
| Durability | 24.2% | Quality | 28.3% |
| Value/price | 22.6 | Type of wood | 27.4 |
| Horsepower/motor size | 21.0 | Value/price | 23.0 |
| Brand names | 16.1 | Chain link/metal | 16.8 |
| Quality | 14.5 | Locks/style | 13.3 |
| Comes with bag | 12.9 | Durability | 11.5 |
| Guarantee | 11.3 | Sturdy craftsmanship | 7.1 |
| Sturdy craftmanship | 8.1 | Gauge | 6.2 |
| Locks/style | 8.1 | Size | 5.3 |
| Safety features | 4.8 | Guarantee | 2.7 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

Shoppers will look for specific brands of power mowers at home centers this summer, but will be less concerned about brands when it comes to sprinklers, garden hoses and fencing.

Households participating in a new *National Home Center News* Consumer Attitude Survey, gave the importance of brand in their decision making an average value of 4.71, when asked to rank the brand's importance in selecting a lawn mower. The scale of one to nine equated nine as most important.

On a list of 40 major home improvement items, power mowers was seventh in terms of brand name importance.

Brand name was less important for sprinklers, which took the 18th spot on that list, and still less so for fencing and garden hoses.

Additionally, 44% of consumers said they had a specific power mower brand in mind when they went shopping, while 28% said they had a brand in mind for sprinklers.

Consumers were not at all ambiguous about what store they would visit for any of these products. Four out of 5 had specific stores in mind for fencing and power mowers; while 9 out of 10 knew what store they would go to for sprinklers and garden hoses. In general, though, consumers did not feel as strongly that the store of choice was as important to their buying decision as they did for some other products, such as power tools.

On a list of 40 major products, lawn and garden equipment ranged in response from 25 to 35 in rank of store importance.

Home centers made the best showing as sources for fencing: 38% of consumers said they would go to a home center first for that product. Department stores also did well: 1 out of 5 consumers said they would patronize that type retailer for fencing.

As for power mowers, 21% of consumers said they would go to a home center first, while 15% said they would patronize a hardware store and an equal number said they would go to a department store.

Some 28% of consumers said they would prefer to shop at a discount store for garden hoses, compared to only 21% who preferred home centers.

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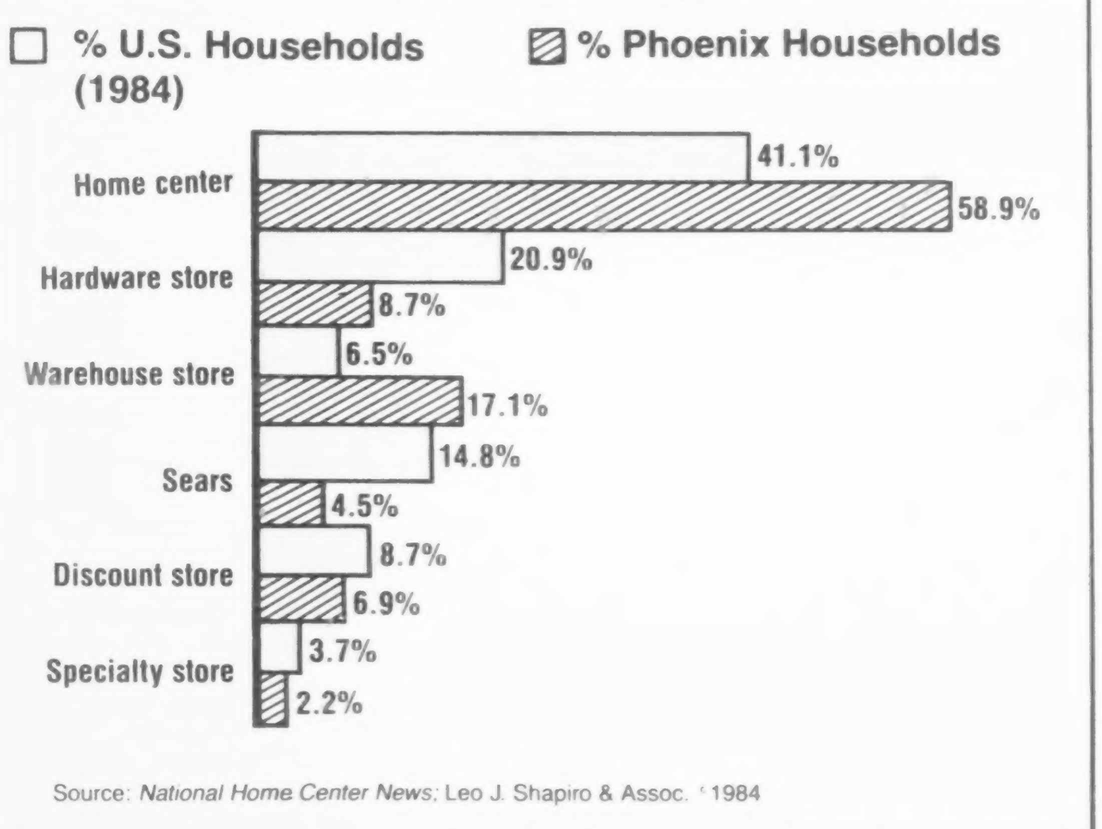
*NHCN*'s 1984 Consumer Attitude Survey

# Warehouses gaining recognition among DIYers

## Shopping Preferences

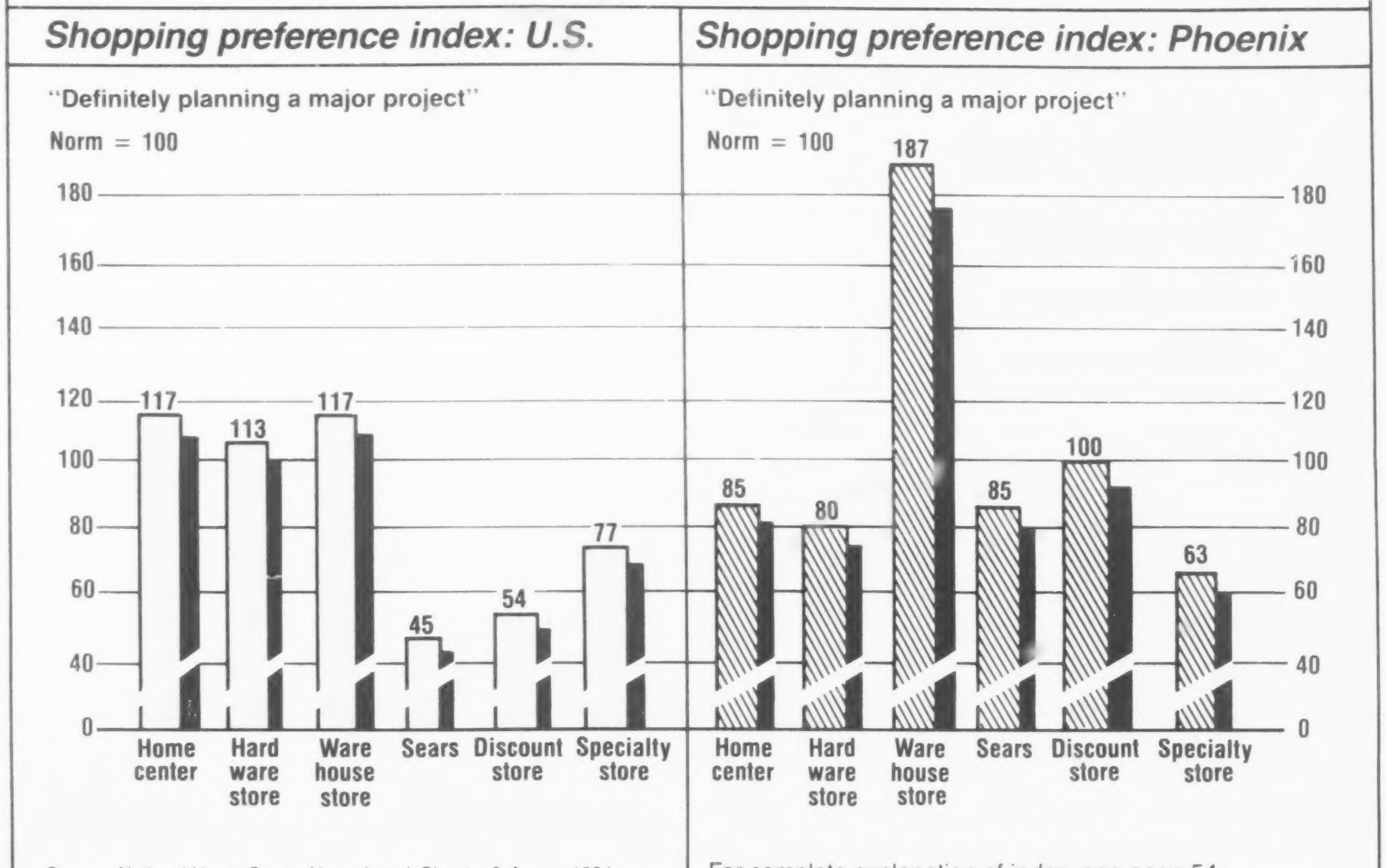
### *Shoppers choice of store for all home improvement items*



Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

- *If Phoenix reveals future trends, home centers and warehouse stores will be eating up the market shares of hardware stores and Sears-type outlets.*
- *More Phoenix warehouse shoppers are planning major home improvement projects than all other groups.*

### *Store preference of shoppers planning major project*



*Shopping preference index: U.S.*

*Shopping preference index: Phoenix*

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

For complete explanation of index, see page 54.

*(Continued from page 17)*

stores. However, in Phoenix, those who prefer warehouse stores were twice as likely as home center shoppers and hardware store shoppers to be planning a major project.

The difference in Phoenix is in part a result of how new warehouse stores are in the market. Home Depot, now with four stores in the market, has been blitzing the area with advertising and promotions. According to figures released by the Television Bureau of Advertising, Home Depot bought $251,000 worth of TV time during the first three months of 1984 alone. The flurry of promotions may have drawn a disproportionate large number of "potential project" customers.

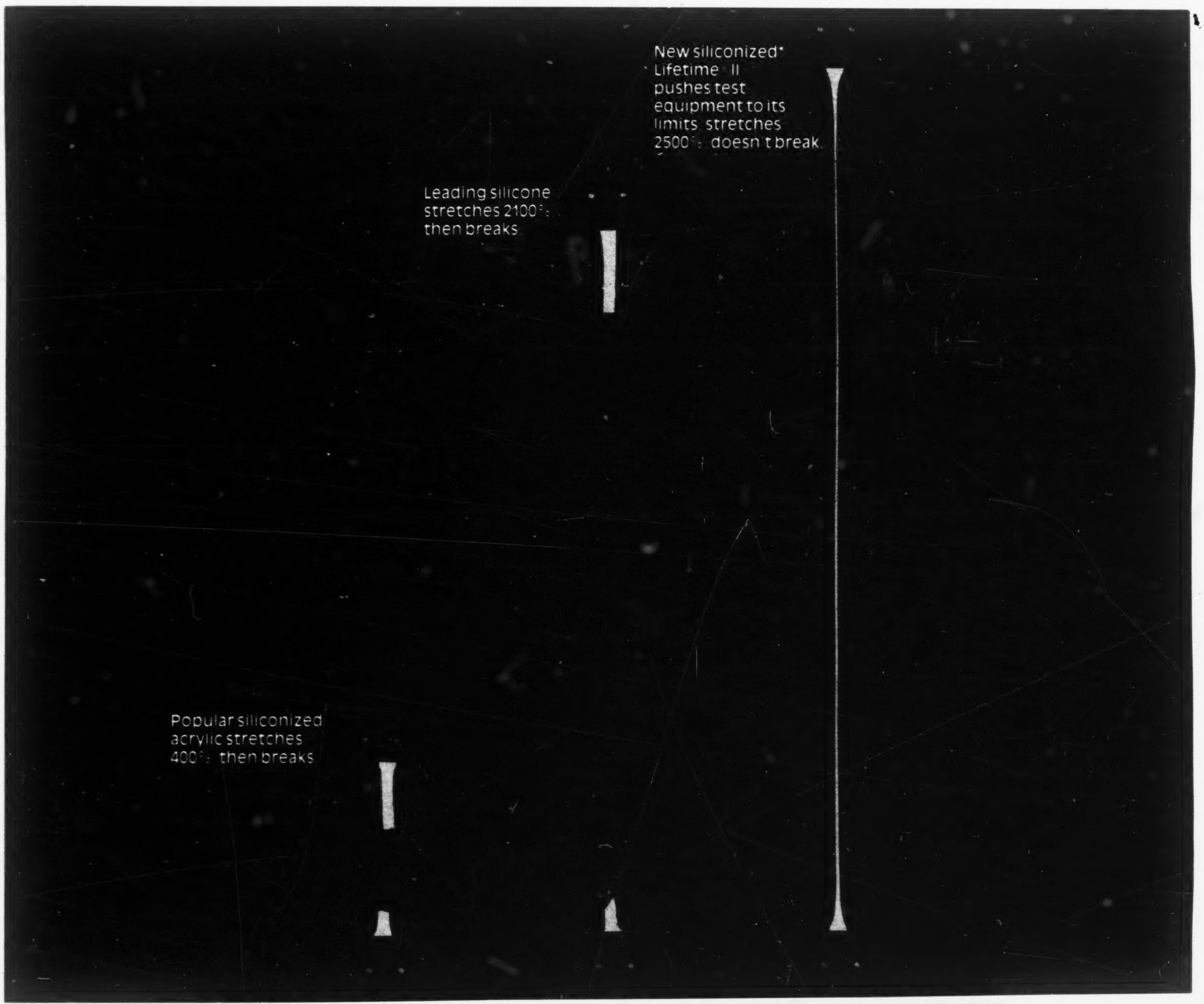
What Phoenix does seem to confirm, however, is that customers who prefer warehouse stores are also among the biggest spenders in the market.

Households interviewed in the survey who were able to name specific stores where they might go for home improvement products—and which were therefore somewhat more qualified about home improvements than the nation might be as a whole—were asked if they had completed a major project in the past 12 months and how much they spent. Nationally, 11% spent over $4,000; 30% spent between $500 and $3,999, and 35% spent under $500 in the past year. The proportions coincided almost exactly among Phoenix households.

However, when the responses were correlated by shopping group, warehouse stores garnered a much higher than average share of households spending over $4,000, nationally and in Phoenix, than might be expected, considering the limited number of households saying they prefer warehouse stores.

Home centers, in fact, tend to attract a high concentration of households spending between $500 and $3,999, but failed to get the concentration of households spending over $4,000 that proportionally it might deserve.

tract bigger ticket customers in the market more than home centers may also reflect the survey's findings that warehouse store shoppers visit warehouse stores more frequently over the course of a year, than do home center shoppers.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Now for the clincher: our exclusive Lifetime II warranty, assurance to your customers of a product warranted to last as long as they own their homes. And mildew resistant Lifetime II comes in white, clear and a variety of colors.

To place an order, contact your Red Devil representative. Or call our Customer Service Hot Line: 201-688-6900. And start cashing in on a Red Devil trade secret:

The tougher the caulk, the easier the sale.

$1.00 Consumer Rebate Available on LIFETIME II Cartridges

* Independent Laboratory Test.

Lifetime II

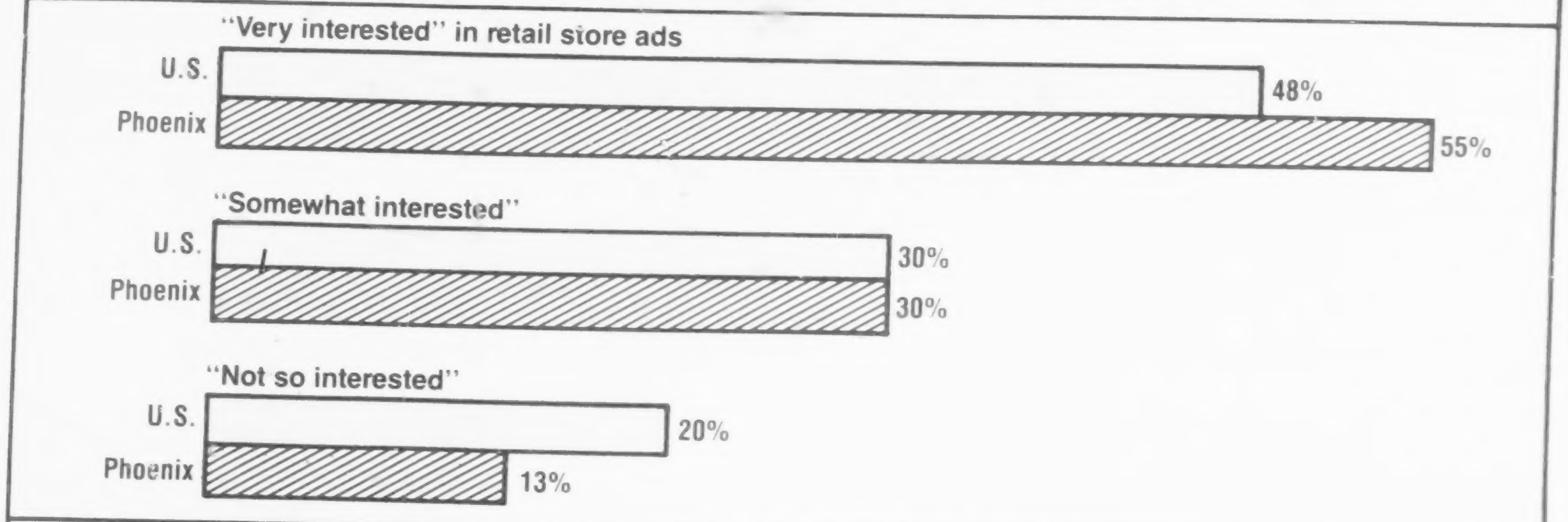
Red Devil
Union, NJ 07083

$1.00 Rebate

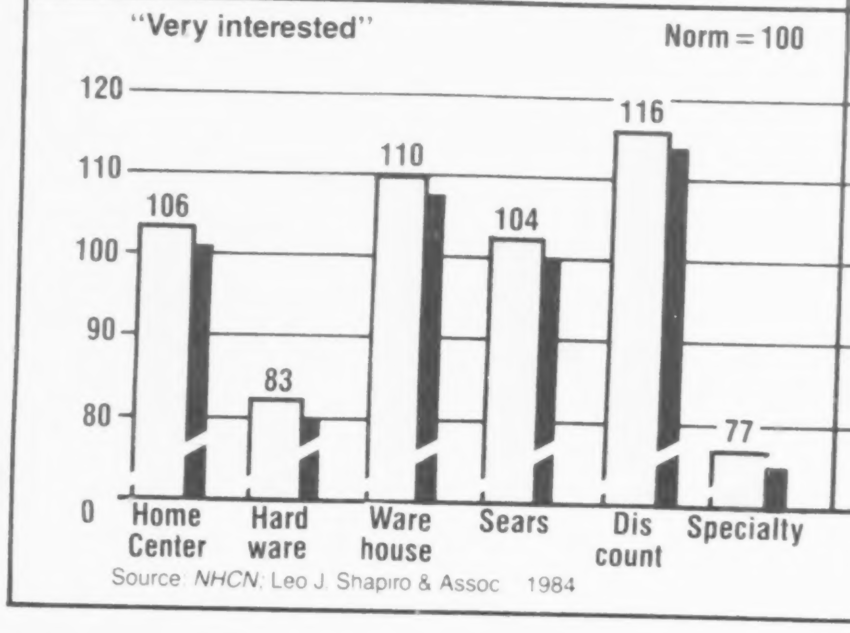
# Retail ads serving as value yardstick

**Shopping Preferences**

## How consumers view retail store ads

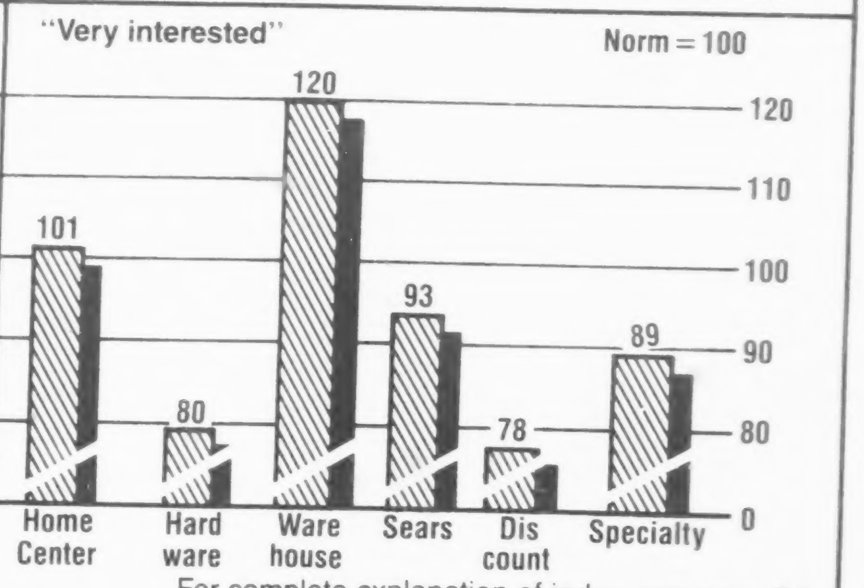


## Advertising interest index: U.S.



Source: *NHCN*; Leo J. Shapiro & Assoc. 1984

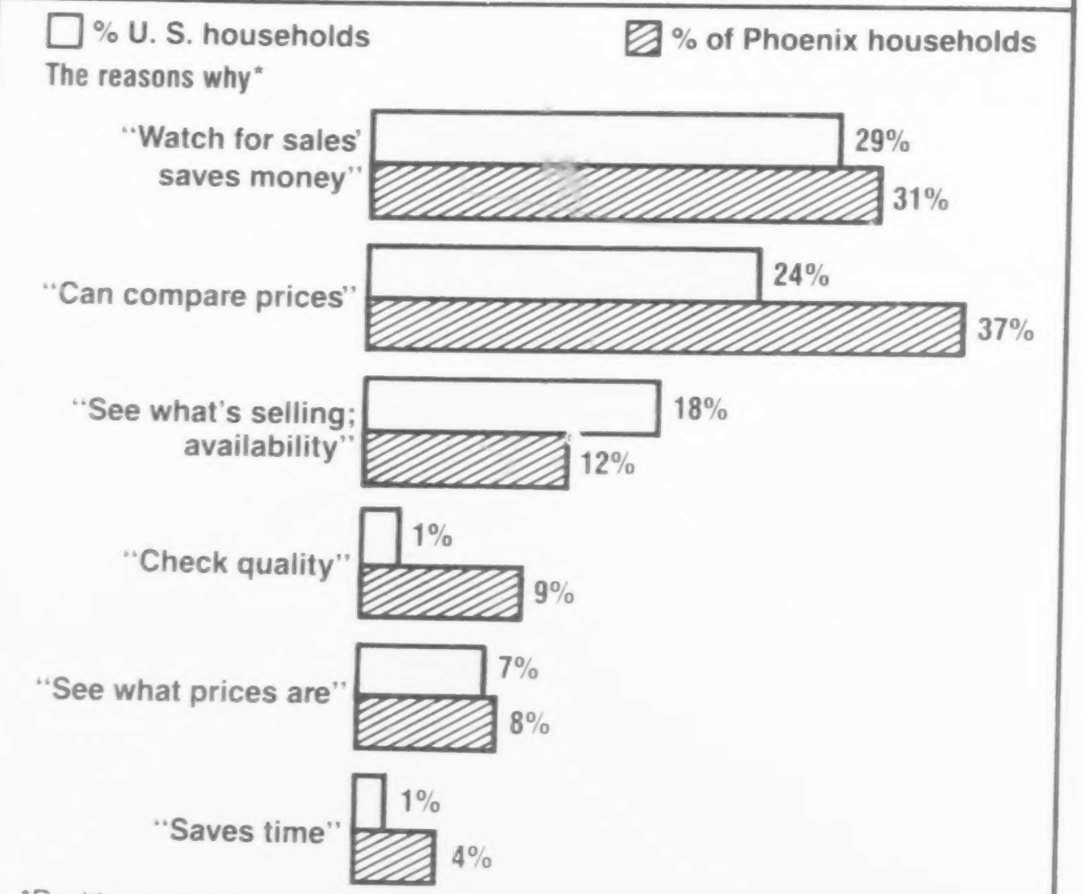
## Advertising interest index: Phoenix



For complete explanation of index, see page 54

**Shopping Preferences**

## Why consumers read retail ads



*Positive comments

Source: *NHCN*; Leo J. Shapiro & Assoc. 1984

(Continued from page 17)

correlated with households who prefer to shop at different types of stores, certain patterns emerge that indicate advertising interest intensifies among some shopping groups.

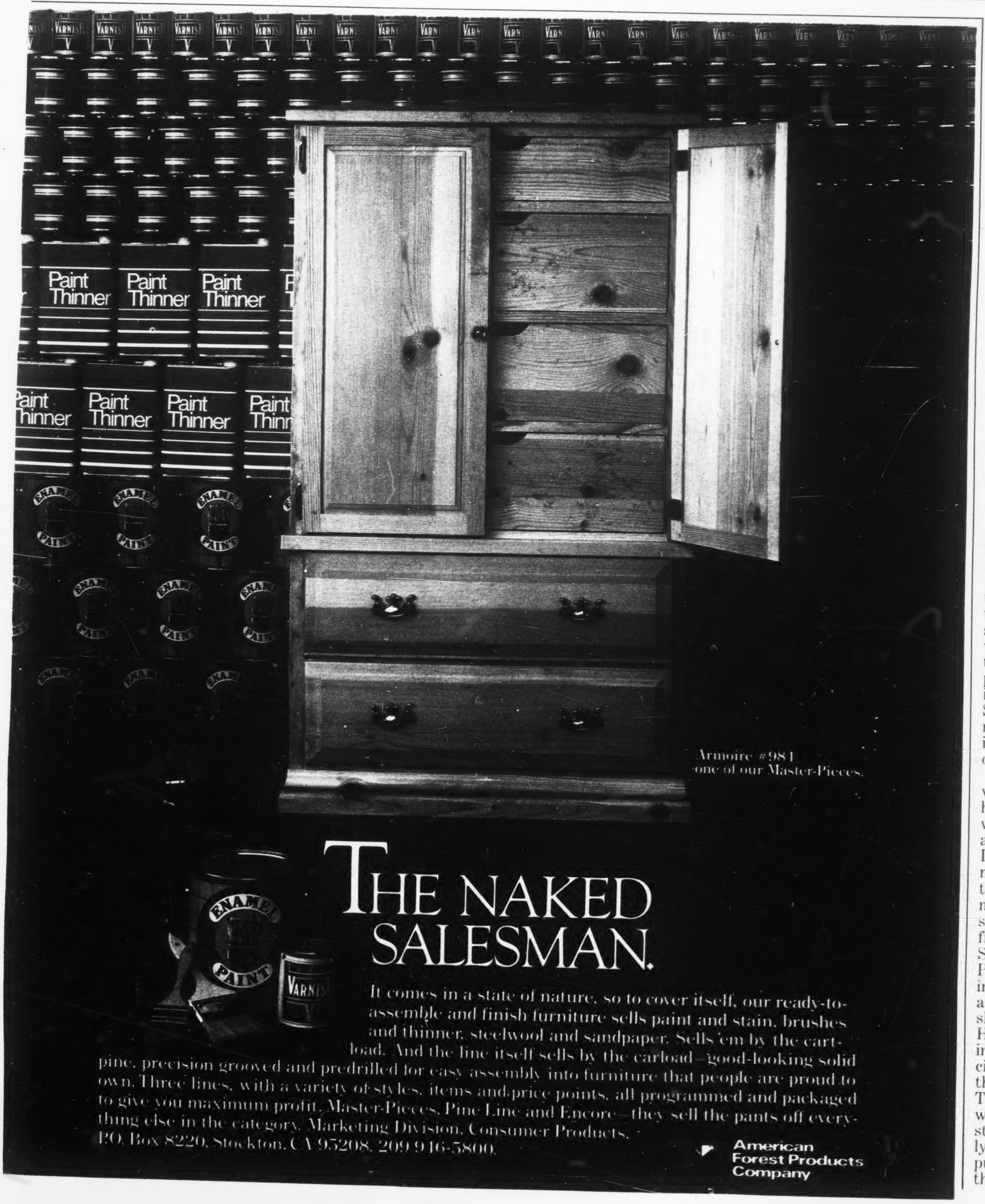
Consumers who prefer to shop at discount stores and warehouse home centers show a higher than average interest in retail advertising than do shoppers who prefer other types of stores for their home improvement needs.

Those who prefer home centers specifically show a slightly higher degree of interest in retail ads than does the average household nationally.

Interest falls off markedly however, among those who prefer to shop at hardware stores and specialty stores. In fact, when analyzing those who said they are "not interested" in retail ads, the response rate among hardware store shoppers reached nearly 140, the response rate of specialty store shoppers rose to nearly 160 on an index where 100 means the response rate is on par with the national average.

One reason might be the fact that hardware store shoppers typically are either retired, or single and under the age of 30, where convenience is an important factor, and the level of project activity is not as high as it is for home center shoppers. Specialty store shoppers, meanwhile, appear to be relying more on word of mouth than on retail ads.

The study suggests that advertising interest in Phoenix, however, is higher among warehouse shoppers than for any other group. That Home Depot has been blitzing the market with catalogs to convey the chain's product offering, may explain why Phoenix shows a different response profile than the national audience. Specialty store shoppers in Phoenix still demonstrate less interest in advertising than the average Phoenix household shopping all types of stores. However, interest in advertising was higher among all specialty store shoppers in Phoenix than among those nationally. This may suggest consumers who prefer specialty stores are still checking ads more carefully to verify the value of their purchases in Phoenix than are their national counterparts.


Armoire #981
one of our Master-Pieces.

THE NAKED SALESMAN.

It comes in a state of nature, so to cover itself, our ready-to-assemble and finish furniture sells paint and stain, brushes and thinner, steelwool and sandpaper. Sells 'em by the cartload. And the line itself sells by the carload—good-looking solid pine, precision grooved and predrilled for easy assembly into furniture that people are proud to own. Three lines, with a variety of styles, items and price points, all programmed and packaged to give you maximum profit. Master-Pieces, Pine Line and Encore—they sell the pants off everything else in the category. Marketing Division, Consumer Products, P.O. Box 8220, Stockton, CA 95208, 209 946-5800.

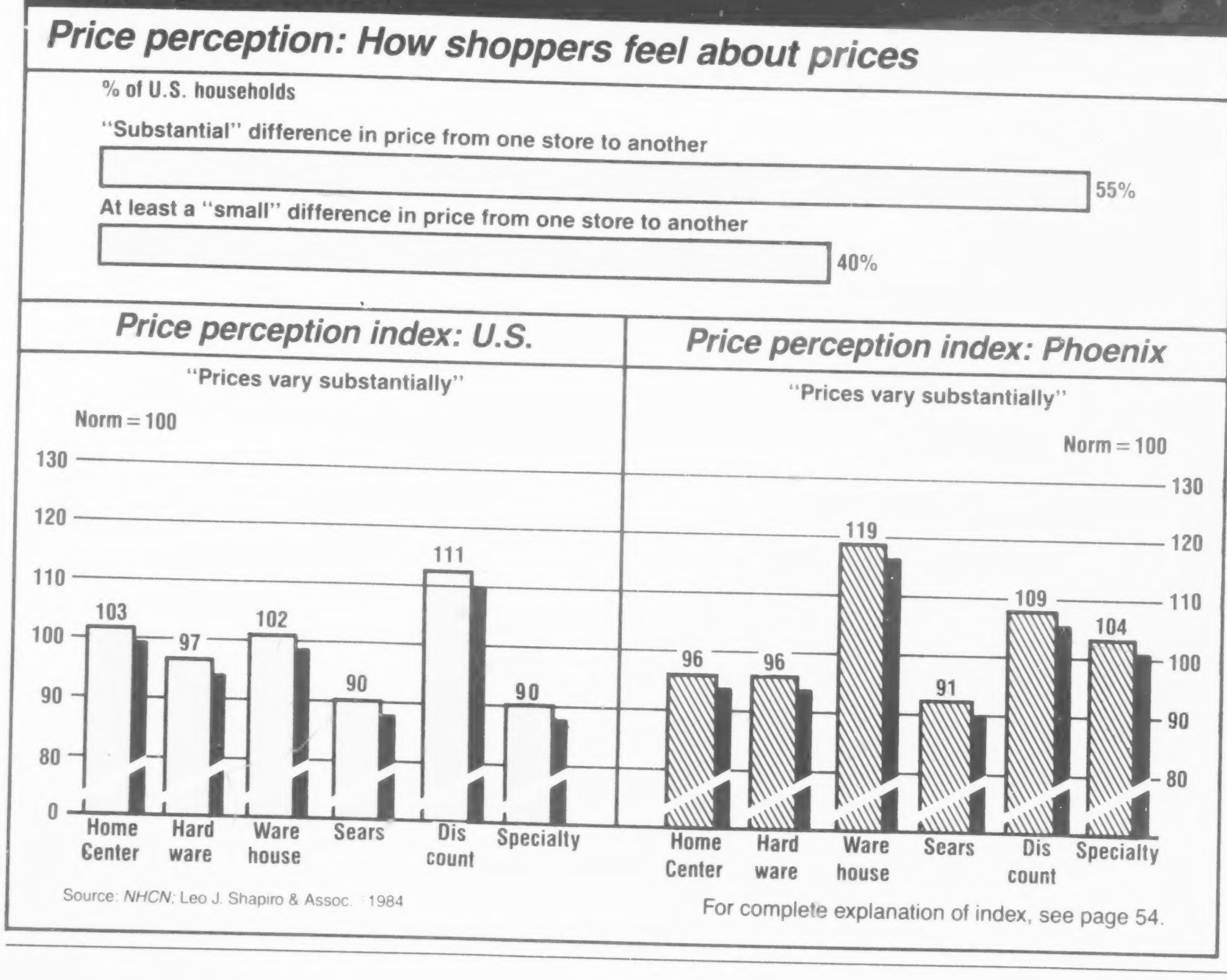
American Forest Products Company

### *NHCN's* 1984 Consumer Attitude Survey

# Survey shows Americans are sharp shoppers

## Shopping Preferences

### Price perception: How shoppers feel about prices



Source: *NHCN*; Leo J. Shapiro & Assoc. 1984

For complete explanation of index, see page 54.

The American shopper is no fool when it comes to perceiving price variations between store types. More than half—55%—of American consumers responsible for their household shopping recognize that there are substantial price differences for home improvement items between stores.

By contrast, only 5% of consumers said they see no difference at all between store price, leaving the other 40% saying prices at least vary modestly, according to a new *National Home Center News* survey conducted by Leo J. Shapiro & Associates. The study examined price perception by comparing, against the national average, the response rate of shoppers who preferred six different types of stores for their home improvement needs.

The greatest concentration of consumers who believe prices vary substantially, are those who shop "low-price" stores like discounters.

In addition, a marginally greater proportion than the national average of home center and warehouse shoppers see price points varying widely between stores, indicating they are more sensitive to price differences between stores than the average shopper.

Those who prefer to shop at

*(Continued on page 58)*

*55% of American households believe "prices vary substantially" from store to store. Warehouse and discount store shoppers show greater sensitivity to price differences than do hardware store and Sears shoppers.*

## How to read the indexes

As 41% of the nation's consumers prefer to shop home centers and 6.5% warehouse stores, one would expect when looking at details like the concentrations of people spending over $4,000 on a project, the pattern of distribution between store types would be the same. That is, 41% will be spending their $4,000-plus in home centers, 6.5% in warehouses, and so on for all the other store types.

Unfortunately, life is never that simple, which is why the indexes were calculated.

They are used as a means of gauging the relative concentrations of specific consumer choices and activities between store types.

When calculating indexes, the national averages of each store type are taken as the "norm," which is specified as 100 on the index tables. So, for each store type, 100 represents 41% for home centers, 6.5% for warehouses, 21% for hardware stores, 15% for Sears, 9% for discounters and 4% for specialty stores.

Then, the percentage of particular consumer types/choices/activities are worked out. Using the above example, the study found that of all the consumers who spent $4,000 and up on a project last year, 39% shopped home centers, 9.4% warehouses, 19% hardware stores, 18% Sears, 3% discounters and 6% specialty stores.

This list of percentages is clearly different from the "national" percentages.

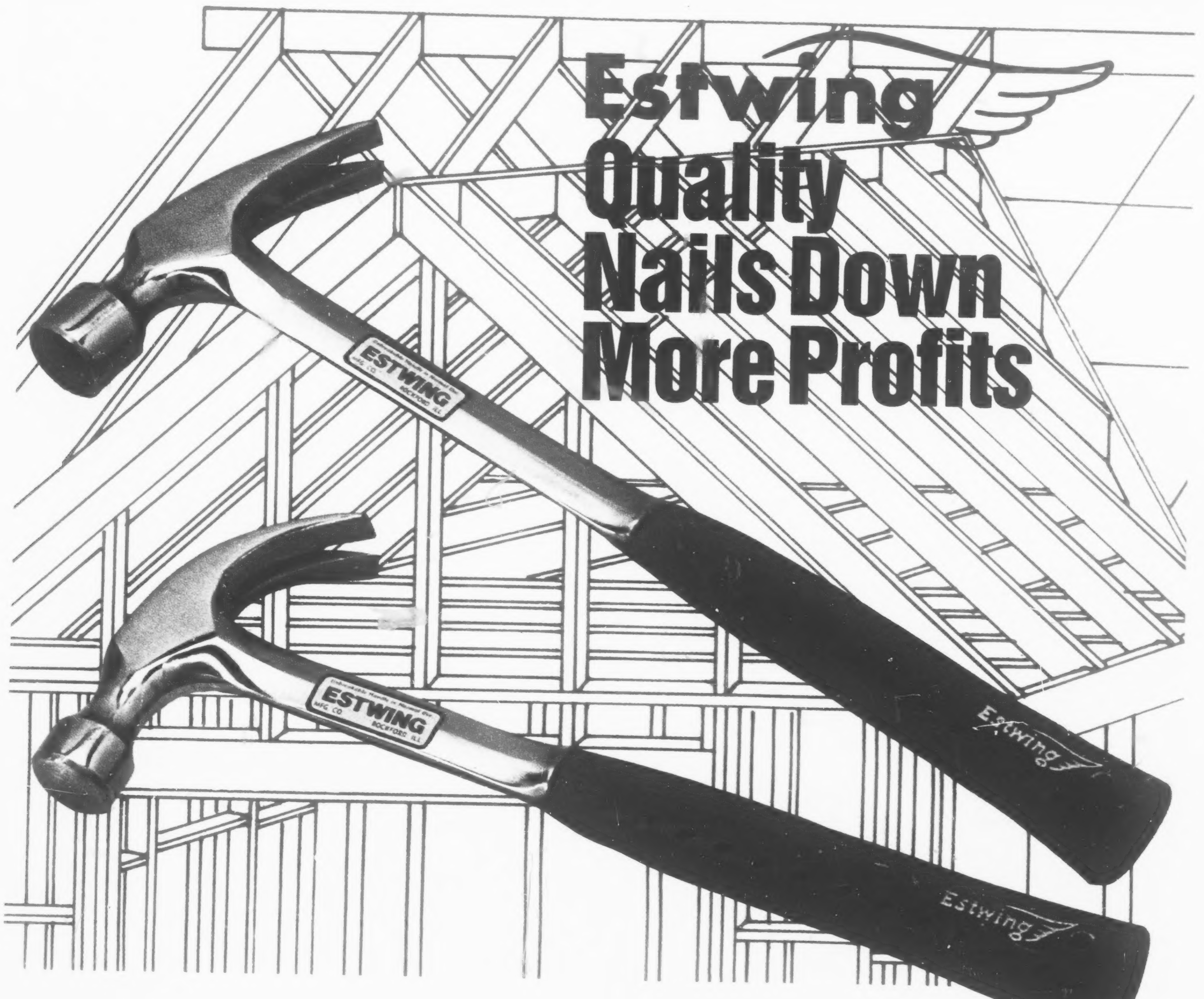
The index factor is the difference between the expected national percentage and the percentage of shoppers who actually did shop in that store. In this case, only 39% of the nation's "big spenders" shopped home centers—a figure below the national "traffic level" of 41%—while 9.4% of those who spent $4,000 or more shopped warehouse stores, a figure substantially above the national "traffic level" of 6.5%.

So, for home centers, 39% is divided by 41% and for warehouses, 9.4% is divided by 6.5% to get results of 0.94 and 1.46, respectively.

The results of these divisions show that home centers have a concentration of big project spenders that is 0.94 times the national average, while warehouse stores have a concentration that is 1.46 times the national average.

**PEOPLE**

every issue



**More Quality • More Customer Appeal • More Profit Opportunities**

**For more profits** in your hand tool department take a closer look at one hammer line that stands out in quality, appearance, and construction—that's Estwing, the world's first and finest solid steel hammer. It's been the top choice of skilled craftsmen and handymen since first patented in 1923. Today more than ever Estwing quality sells as customers look for the best value for their money.

**Estwing hammers** are unsurpassed in quality, balance, and finish. Forged in one-piece the strongest construction known. Head and handle are fully polished with either nylon-vinyl deep cushion grip or beautiful laminated leather grip.

**Estwing offers** a truly unique hammer line . . . reduces inventory duplication, and increases sales to both the quality DIY and professional markets. Contact your Estwing distributor today or write.

**ESTWING SAFETY GOGGLES**
Always wear Estwing Safety Goggles when using hand tools. Protect your eyes from flying particles and dust. Bystanders shall also wear Estwing Safety Goggles.

**Estwing** Mfg. Co., 2647 8th St., Rockford, IL 61101

***NHCN's* 1984 Consumer Attitude Survey**

# Low-priced warehouses attract affluent DIYers

Consumers show a distinct preference for different types of retail stores for their home improvement needs that directly reflects their age, and whether they have a family or live alone, and how much they earn.

For instance, singles—retirees and under-30's—tend to shop hardware stores, while larger households whose main consumer is under 45 years old, tend to shop home centers and warehouse stores, according to a *National Home Center News* survey, conducted by Leo J. Shapiro & Associates.

In addition warehouse stores—despite their low-price image—are generally shopped by people with above-average incomes, and discounters are predominantly shopped by consumers from households with below-average incomes.

Here is a brief rundown on the main characteristics of the "typical" customer at each type.

- The home center customer:

The home center shopper tends to be under 45 years old and from a household with four or more people in it. Although this shopper may have either a blue- or white-collar job, he/she will more often than not have a household income above the national average of $20,000 a year.

- The hardware store customer:

The hardware store shopper, on the other hand, is usually single, being either retired or under 30 years old. With apparently less pressure to engage in large home improvement projects, these people are usually earning under $20,000 a year.

- The warehouse store customer:

However, the warehouse store shopper is much more likely to come from a larger household, with four or more

*(Continued on page 60)*

**Shopper Profile—U.S.**

### Home improvement project spending in past year

**By primary traffic group** — **Index: Norm = 100**

| Dollars spent | Home center | Hardware store | Warehouse store | Sears | Discount store | Specialty store |
|---|---|---|---|---|---|---|
| $4,000 Plus | 94 | 90 | 146 | 121 | 32 | 154 |
| $500-$3,999 | 115 | 76 | 131 | 91 | 81 | 106 |
| Under $500 | 96 | 119 | 72 | 101 | 107 | 85 |
| Nothing | 99 | 91 | 56 | 94 | 167 | 80 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

*A greater proportion of warehouse and specialty store primary customers spent over $4,000 on major projects than any other store type.*

For complete explanation of index, see page 54.

### Income of home improvement shoppers

**By primary traffic group** — **Index: Norm = 100**

| Total family income | Home center | Hardware store | Warehouse store | Sears | Discount store | Specialty store |
|---|---|---|---|---|---|---|
| Over $20,000 | 109 | 88 | 123 | 92 | 78 | 101 |
| Under $20,000 | 96 | 120 | 58 | 77 | 135 | 103 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

*Discount and hardware store customers are most likely to have below-average incomes, while warehouse shoppers are more likely to have above-average household incomes.*

## Survey shows Americans are sharp shoppers

*(Continued from page 54)*

hardware stores are about as sensitive as the average shopper to price variations. However, Sears and specialty store customers tend to be less sensitive to substantial price differences from store to store than the average shopper, suggesting price plays a lesser role in their buying decisions.

However, Phoenix—a market seen as revealing future retail marketing trends—shows a different picture: There are sharp increases in the proportion of "price conscious" people shopping warehouse and specialty stores, when compared to the national average, while the concentration of Phoenix home center customers who believe prices vary substantially is lower than the national average.

The difference in the price awareness in Phoenix suggests two things: That those who believe that prices vary substantially from store to store, tend to shift their preference from a home center to a warehouse store, where warehouse stores play a large factor in a market. Home Depot, within six months, gained almost equal shopper awareness as all of its home center competitors.

> *The Phoenix results suggest that shoppers who believe that prices vary substantially from store to store tend to shift their store preference from a home center to a warehouse store.*

Also, as a large proportion of sales for big ticket projects are made in warehouse stores, consumers may be more "price conscious" for each individual item they are buying for such a project.

Similarly, with many sales for big ticket projects also going through specialty stores, price point awareness may be just as strong as in warehouse stores.

Warehouse, home center and specialty stores aside, the primary customers for the other types of home improvement stores in Phoenix show degrees of price awareness similar to the national pattern.

The Fix Is In!

We're getting ready for the big fight. We feel that the other fella has been on top far too long. We also think our boy is just as good, and the complacent champ is primed for an upset. But just to make sure that justice prevails, we've fixed the fight. We're paying off the promoters. That's you—the dealer. (You're the one that does all the promoting—and isn't that what really makes a winner?) So we're paying cold hard cash to give our boy the decision.

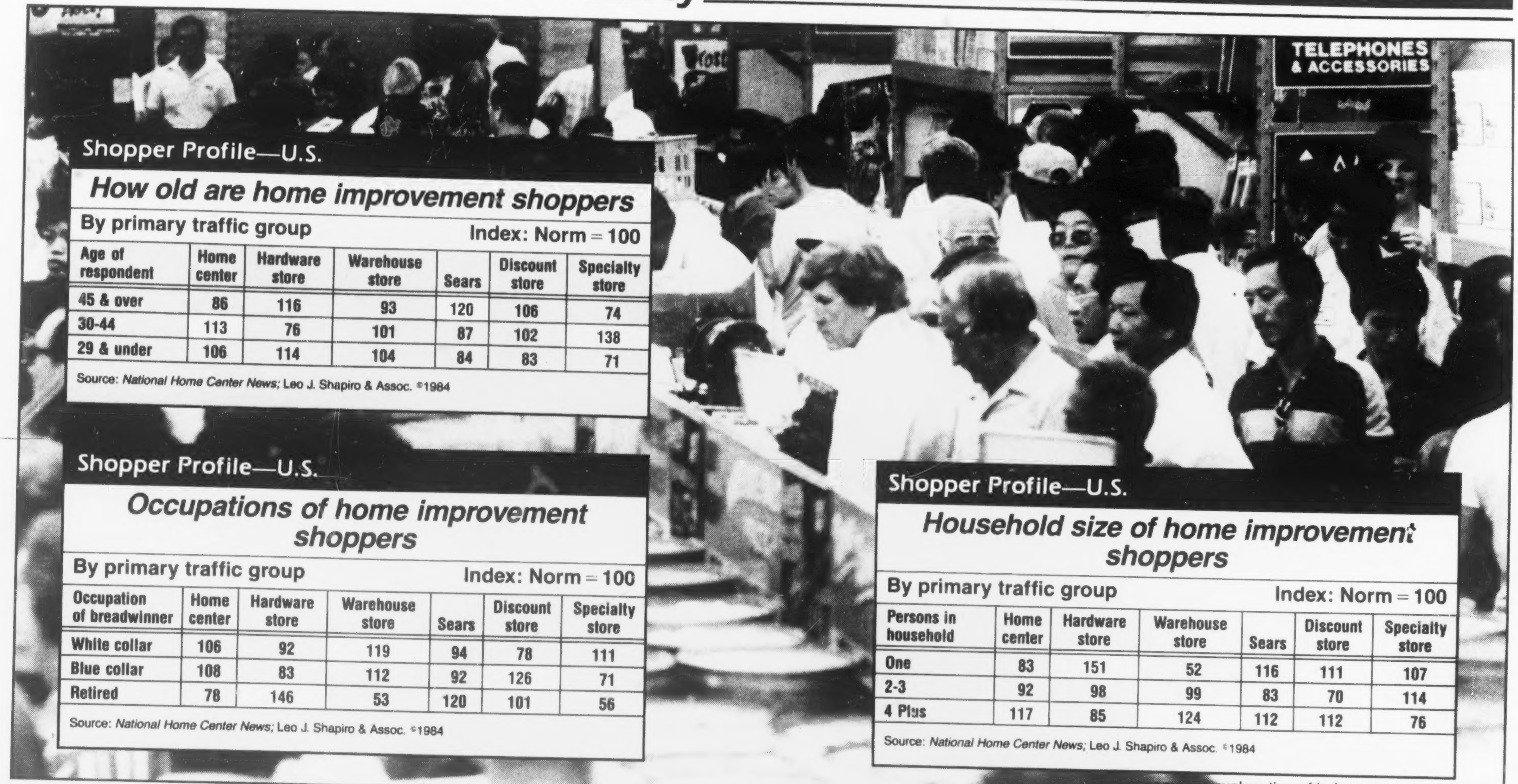
Every time you buy Weldwood® Waterproofing Sealer in July, August and September, we'll send you a check—made out to the payee of your choice. The more you buy—the more you get. For example, if you buy 10 cases (40 gallons), you get $40.00; 20 cases, $80.00. And so on.

Call it a spiff. Call it a bribe. Call it what every you want, but be sure to call your distributor and order Weldwood® Waterproofing Sealer today.

Send for your free Promotion Kit that tells you how simple it is to get your payola.

Weldwood

[illegible] N. Baldwin Park Blvd. City of Industry, Ca 91749
Send promotion kit requests to: Advertising Dept.



Shopper Profile—U.S.

**How old are home improvement shoppers**

By primary traffic group — Index: Norm = 100

| Age of respondent | Home center | Hardware store | Warehouse store | Sears | Discount store | Specialty store |
|---|---|---|---|---|---|---|
| 45 & over | 86 | 116 | 93 | 120 | 106 | 74 |
| 30-44 | 113 | 76 | 101 | 87 | 102 | 138 |
| 29 & under | 106 | 114 | 104 | 84 | 83 | 71 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

Shopper Profile—U.S.

**Occupations of home improvement shoppers**

By primary traffic group — Index: Norm = 100

| Occupation of breadwinner | Home center | Hardware store | Warehouse store | Sears | Discount store | Specialty store |
|---|---|---|---|---|---|---|
| White collar | 106 | 92 | 119 | 94 | 78 | 111 |
| Blue collar | 108 | 83 | 112 | 92 | 126 | 71 |
| Retired | 78 | 146 | 53 | 120 | 101 | 56 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

Shopper Profile—U.S.

**Household size of home improvement shoppers**

By primary traffic group — Index: Norm = 100

| Persons in household | Home center | Hardware store | Warehouse store | Sears | Discount store | Specialty store |
|---|---|---|---|---|---|---|
| One | 83 | 151 | 52 | 116 | 111 | 107 |
| 2-3 | 92 | 98 | 99 | 83 | 70 | 114 |
| 4 Plus | 117 | 85 | 124 | 112 | 112 | 76 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

[illegible] comp[illegible]xplanation of index, see page 54.

- *Top left: A large proportion of Sears customers are over 45: above average concentrations of home center and specialty store shoppers are 30-44 years old.*
- *Left: Retirees seem to prefer shopping at hardware stores.*
- *Above: Heavy concentrations of "singles" seem to shop hardware stores; large proportions of warehouse and home center customers are from multiperson households.*

## Stores attract wide-ranging DIY clientele

*(Continued from page 58)*

people in it, in particular. This consumer is less than 45 years old, earning more than $20,000 a year and will be holding either a blue- or white-collar job. Also, this customer is a big spender: More sales for large ticket projects go through warehouse stores than any other kind of outlet, except specialty stores.

- The Sears customer:

Sears customers seem to be people who have been faithful to the chain for years, as their predominant occupation appears to be "retired." However, shoppers with more than four to a household also like this chain, which suggests that many consumers agree with the company's positioning that stresses you can get everything you need for the family at Sears. Sears shoppers also tend to have above average household incomes.

- The discount store customer:

The discount store shopper tends to be above 30 years old, and, like the Sears customer, comes from either a single or large (four plus) household. However, his/her household income is probably below $20,000 a year, with the money coming from a blue-collar job.

- The specialty store customer:

On the other hand, specialty store customers tend to be "middle aged"—between 30 and 45 years old—be white-collar workers and have households with less than four people. Yet despite this middle class image, with a tendency to make high ticket purchases for large projects, as many of these households seem to earn below $20,000 a year, as above that sum.

"Fast turns, high profit and strong programs. Polyseamseal® gave us everything we needed to fire up sales."

Ron Jerauld, Paint Department Manager
Somerville Lumber, Somerville, MA

POLYSEAMSEAL
All Purpose Adhesive Caulk
Seals like caulk. Sticks like glue. Inside or Outside.
POLYSEAMSEAL
All Purpose Adhesive Caulk
Seals like caulk. Sticks like glue. Inside or Outside.

"When we stacked Polyseamseal® All Purpose Adhesive Caulk in the aisles with the $1 Rebate, we turned more than 1,000 cartridges in just 2½ weeks. It practically *flew* out of the store. The $1 Rebate let us put Polyseamseal on sale—without cutting our profits.

"Plus Polyseamseal's 100% co-op paid for a front page spot in our flyer. And the free header made it easy to get customers' attention—fast!

"The rebate sells Polyseamseal the first time, it sells itself after that. Good values on good products always win repeat business."

**That's the Polyseamseal Strategy at work.**

It sells itself! That's what thousands of dealers discovered when they featured the Polyseamseal $1 Rebate, and they never risked a penny. Now it's your turn. Just take 18 inches of floor space to set up the compact merchandising Polyseamseal gondola. Stock it with Polyseamseal All Purpose Adhesive Caulk. If you don't make more money from our strategy within 90 days, we will take back your unsold Polyseamseal inventory. Guaranteed.

Now you can offer the Polyseamseal $1 Rebate to your customers without cutting your profits.

The free, attention-getting header and 100% co-op help build sales and traffic in your store. It's all no-risk. And it works.

Ask your Polyseamseal distributor for details now. Then get ready for fast turns—and more money than you've ever made from caulk before!

**Yes! I want to make more money from caulk.**
Tell me more about the Polyseamseal $1 Rebate and free merchandising gondola.
**Return this coupon to "$1 Rebate," Darworth Company, Box K, Avon, CT 06001.**

Name
Title
Firm
Address
City State Zip
Phone

**Polyseamseal® All Purpose Adhesive Caulk**

Darworth company
AVON CONNECTICUT 06001

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# Projects down, but consumers spending more

*(Continued from page 1)*

The study, conducted by Leo J. Shapiro & Associates, a Chicago-based consumer research firm, explores how consumers evaluate 40 selected home improvement products; where they shop for those products; how those products are related to project activity, and the influence of advertising and brand name identification in the buying decision. The study, which is nationally projectible, also explores how consumers in a single market, Phoenix, differ in view from the national.

One explanation for the decline in the number of households tackling major projects appears related to the easing of financial restraints that prevented many households from moving in the 12 months prior to March 1983.

The return to full-time and overtime employment in the past year may also have reduced the number of projects being tackled, the study suggests. Less available time to work on projects and an increase in income in many house-

*(Continued on page 65)*

## NHCN Home Improvement Update

### *Painting/wallpapering are most popular projects*

**% of households having completed remodeling, renovation, alteration project in past 12 months**

| 1983 | | 1984 | |
|---|---|---|---|
| Paint/wallpaper | 21.0% | Paint/wallpaper | 21.9% |
| Remodel kitchen | 15.2 | Remodel kitchen | 15.6 |
| Remodel bath | 8.6 | Remodel bath | 10.9 |
| Paneling | 8.6 | Insulation | 7.8 |
| Repair or install ceilings/walls | 6.7 | Add a room | 7.8 |
| Tiled | 6.7 | New roof | 6.2 |
| Add a room | 5.7 | Remodeled whole house | 6.2 |
| Remodeled porch | 5.7 | New windows | 6.2 |
| Remodeled living room | 5.7 | Remodeled bedroom | 4.7 |
| New carpeting | 4.8 | Add a deck | 4.7 |
| Plumbing | 4.8 | New floor | 4.7 |
| Built garage, shed | 4.8 | Paneling | 4.7 |
| Insulation | 3.8 | Remodeled living room | 4.7 |
| New roof | 3.8 | Tiled | 4.7 |
| Other | 41.9 | Other | 29.7 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Year to year, painting/wallpapering continue to be the most frequently mentioned home improvement project among people who have completed a project in the past year. Remodeling kitchens and bathrooms are the next most popular projects.*

### *Homeowners plan to paint/wallpaper & add a room*

**% of households with remodeling, renovation, addition plans**

| 1983 | | 1984 | |
|---|---|---|---|
| Paint/wallpaper | 20.7% | Paint/wallpaper | 19.6% |
| Remodel bath/kitchen | 14.9 | Add a room | 14.4 |
| Flooring/tile | 14.0 | Remodel bath | 11.3 |
| Add a room | 8.3 | Convert basement | 7.2 |
| Add patio deck | 6.6 | Remodel kitchen | 6.2 |
| New carpeting | 5.8 | Carpeting | 4.1 |
| Plumbing, new fixtures | 5.8 | Remodeling (unelaborated) | 4.1 |
| Replace countertops, cabinets | 4.1 | Replace countertops | 4.1 |
| Remodel room | 4.1 | Add patio, deck | 4.1 |
| Paneling | 3.3 | New windows | 4.1 |
| Add garage, carport | 2.5 | Remodel kitchens & bath | 4.1 |
| Heating, ventilation | 2.5 | Storm windows, doors/sides | 4.1 |
| Convert basement | 2.5 | Plumbing, new fixtures | 4.1 |
| | | Repair existing porch | 4.1 |
| Other | 12.5 | Other | 25.8 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Between 1983 and 1984, there has been a sizable increase in the per cent of households who say that the project they plan will be a room addition. Also note respondents gave more detailed project breakdowns in the 1984 survey resulting in both separate and combined responses for bath and kitchen remodeling.*

## *Homeowners hiring outside help active in material purchases*

Homeowners who hire outside help to undertake remodeling and renovation projects still remain heavily involved in decisions about what merchandise to purchase, and where to purchase it.

Approximately 1 out of every 4 households completing a major home improvement project last year hired someone to do all of the work. Yet, nearly 2 out of 3 people who hired help last year said they played a major role in the buying decision, and in fact, purchased an average of 53% of the materials used, according to a study just completed for *National Home Center News*, by Leo J. Shapiro & Associates. The study showed that in one-third of the projects where contractors did all of the work, consumers bought all of the materials.

Even in cases where the contractor purchased all of the materials, decisions about what materials to purchase were made jointly in 9 out of 10 cases. Only 4% of the respondents said they left such decisions entirely up to the contractor. And in 46% of the cases, the consumers specified what brand the contractor should purchase.

### More DIYers

Although more homeowners completed renovation projects on a do-it-yourself basis in the past 12 months, than in the previous 12-month period, they plan to hire more outside help over the coming 12 months.

Of households completing major renovation projects during the last 12 months, some 63% said they did all the work themselves, representing an increase from the 55% of the year earlier. However, only 47% say they plan to do all of the work themselves during the coming year.

However, the respondents who have backed away from the do-it-yourself camp do not plan to keep their hands off household projects entirely. Some 28% said they would undertake such projects on a cooperative basis by doing some of the work themselves and having outside help do the rest. Over the past 12 months only 17% undertook renovation projects using this cooperative approach.

CAPTURE the MAGIC of COLOR with ZYNOLYTE

QUALITY · SERVICE · DEPENDABILITY

Zynolyte
PRODUCTS COMPANY

Manufacturer of Quality Paint Products

*NHCN*'s 1984 Consumer Attitude Survey

# Projects down, but consumers spending more

*(Continued from page 63)*

holds also may explain why the projects being tackled are fewer in number, but more elaborate and expensive.

As was the case the previous year, the most popular home improvement projects included painting and wallpapering and remodeling kitchens and bathrooms.

The number of households adding a room, however, increased dramatically last year over 1982. Of all households that completed a major project in the past 12 months, about 8% said they added a room. This figure was up from 6% the previous year.

The study also found an increase in the proportion of households adding insulation, a new roof, new windows and remodeling their whole house last year over the previous 12 months.

Those projects planned for the next year will involve more expenditure by homeowners than those undertaken last year, reflecting a continuing trend on the part of consumers toward ever larger projects. Among United States households reporting that they are "definitely" or "maybe" planning a major home improvement project, the average household expected to spend $3,470 on a project this coming year. A year ago, the comparable project was expected to cost $2,371.

Adding a room has become an even more popular goal for America than it was last year. Of the households planning a major remodeling task this year, some 14% are considering the addition of a room, up substantially from a year ago.

Other popular remodeling projects planned for the coming 12 months include painting and wallpapering, remodeling a bath or kitchen and installing flooring or tile.

The increasing interest in adding a room reflects to a large extent the perception on the part of many homeowners that they do not have enough living space. According to the new study, of those homeowners who say they do not have enough space, some 18% said they would solve the problem by building an addition, a substantial increase from the 9% of last year's study.

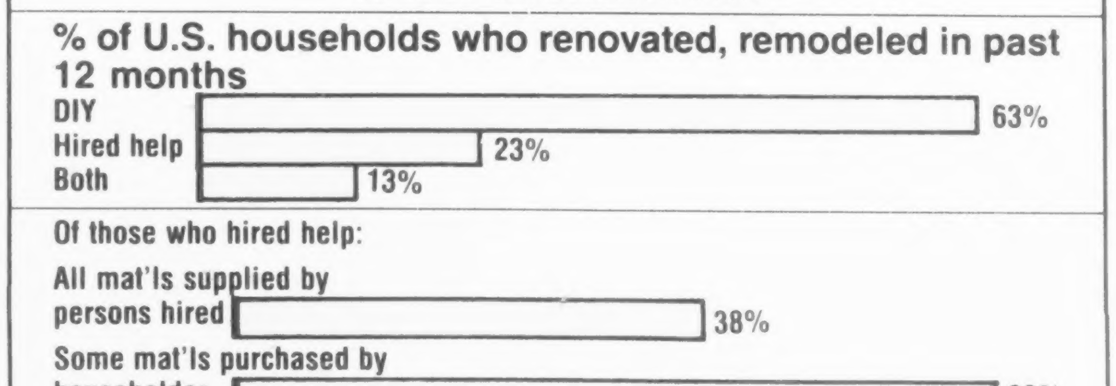
However, the number of households who perceive their living space as too small has actually decreased somewhat from the level reported in a study done a year ago, published in *NHCN* under the title of "The Great Housing Mismatch" (*NHCN*, July 18, 1983).

According to the new study, some 36.6% of respondents said they had too little space, while 38.2% said they had too much. A year ago, 37.3% said they had too little space while 35.4% said they had too much. However, it is clear that a great deal of remodeling remains to be done before consumers are satisfied with the amount of their living space.

**The complete 241-page summary, plus a 60-page summary of consumer shopping trends, and executive summary, are available in a single volume for $250. For more information write *National Home Center News*, Dept. S-84, 425 Park Ave., New York, N.Y. 10022.**

## NHCN Home Improvement Update

### *Two-thirds of the nation's DIYers did the work themselves*



Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

- *Among DIYers nationally, 63% say they did the work themselves on the project they completed in the past year. Of those who hired help, 2 out of 3 were involved in the purchase of materials for the project.*
- *More households responded that they had extra living space in 1984 than in 1983. Of those households, 36.8% said they were likely to move, while 42.7% said they would reallocate the space. Converting a bedroom was the most popular response in this category gaining 10.5% of the responses.*
- *On the other end of the spectrum, fewer households have less space than needed in 1984 than as did in 1983. Of those households, 45.1% responded that they were likely to move to gain additional space, while 20.7% would remodel, 18.3% would build an addition and 8.5% would do nothing.*

### *What homeowners intend to do with their extra living space*

| | 1983 | 1984 |
|---|---|---|
| % of households with more space than needed | 35.4% | 38.2% |
| % of households likely to: | | |
| "Move" | 38.9 | 36.8 |
| "Reallocate space" | 42.6 | 42.7 |
| • Convert bedroom | 10.5 | 10.5 |
| • Close unused rooms | 4.9 | 2.9 |
| • Remodel | 3.1 | 4.1 |
| • Make apartment | 3.1 | 1.8 |
| • Add a room | — | 2.3 |
| "Do nothing" | 6.2 | 12.9 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

### *How homeowners intend to increase their living space*

| | 1983 | 1984 |
|---|---|---|
| % of households with less space than needed | 37.3% | 36.6% |
| % of households likely to: | | |
| "Move" | 53.8 | 45.1 |
| "Remodel" | 23.4 | 20.7 |
| "Build addition" | 8.8 | 18.3 |
| "Do nothing" | 5.3 | 8.5 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

NO. 2 IN A SERIES

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AND WHAT IT MEANS TO YOU.

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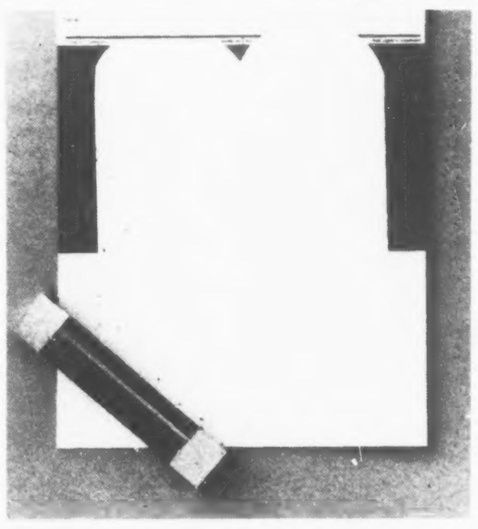
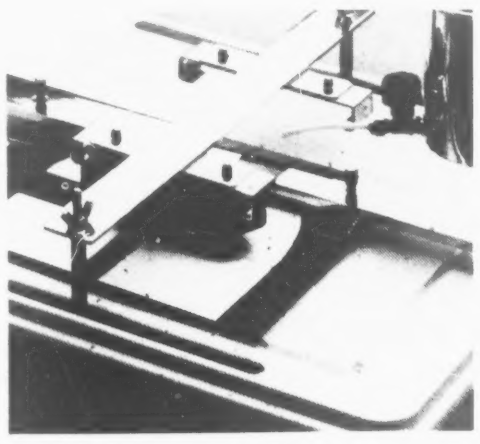


"Hiding" is the covering ability of paint at a uniform thickness (3 mils), on a uniform black surface. Does the black show through? Not if the paint has a high titanium dioxide content. United Coatings paints contain more titanium dioxide than competitors, therefore we have a better "hiding" product.

2 **Evaluate the "scrub quality" with the Gardner washability machine.**



This test is a side-by-side paint toughness shootout! An abrasive coated scrub brush is pulled back and forth across our paint sample and a competitor's paint sample. 150 strokes can rub out a poor quality paint. United Coatings paints test 3 to 4 times longer than most of our competitors. At any given price point our paints contain more acrylic and vinyl resins, for better washability.

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NHCN's 1984 Consumer Attitude Survey

# Brand names play important but limited role

**Product Buying Anatomy**

### Importance of store in buying decision

All U.S. households — Mean rating 1 = low/9 = high

| Rank | Product | Mean Store Rating |
|---|---|---|
| 1 | Stationary power tools | 5.94 |
| 2 | Wall/house paint | 5.72 |
| 3 | Portable power tools | 5.64 |
| 4 | Paint brushes/rollers | 5.60 |
| 5 | Hand tools | 5.38 |
| 6 | Floor tile | 5.31 |
| 7 | Lumber/plywood | 5.10 |
| 8 | Water heater | 5.09 |
| 9 | Storm doors, windows | 5.00 |
| 10 | Ceiling fan | 4.97 |
| 11 | Plumbing, pipes, fittings | 4.91 |
| — | Wallpaper | 4.91 |
| 13 | Caulking/sealants | 4.81 |
| 14 | Bathroom sink, vanity | 4.80 |
| — | Replacement windows | 4.80 |
| 16 | Interior light fixtures | 4.79 |
| 17 | Kitchen cabinets | 4.75 |
| 18 | Screws/nuts/bolts | 4.73 |
| 19 | Painting tools | 4.70 |
| 20 | Wall paneling | 4.69 |
| 21 | Kitchen sink | 4.65 |
| 22 | Shower door | 4.62 |
| 23 | Faucets | 4.57 |
| 24 | Medicine cabinet | 4.56 |
| 25 | Garden hose | 4.53 |
| 26 | Sprinkler | 4.52 |
| 27 | Roofing | 4.48 |
| 28 | Locksets | 4.40 |
| 29 | Ceiling tile | 4.38 |
| 30 | Power lawn mower | 4.35 |
| 31 | Molding | 4.32 |
| 32 | Window blinds | 4.31 |
| 33 | Garage door opener | 4.29 |
| 34 | Electrical sockets, switches | 4.27 |
| 35 | Fencing | 4.17 |
| — | Home insulation | 4.17 |
| 37 | Electrical wiring, cable | 4.11 |
| 38 | Sheet vinyl | 4.10 |
| 39 | Gutters, downspouts | 4.08 |
| 40 | Mirror tile | 3.77 |

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

- *Tools, paint and lumber all received a high mean store rating indicating that consumers place more importance on the store where they buy these products than they do for such products as gutters and mirror tile.*

*(Continued from page 19)*

This finding is particularly interesting in light of the efforts taken by several large commodities manufacturers of products such as insulation and ceiling tile in developing brand identity for their products. As it turns out, consumers are aware of specific brands and say they prefer one over another, but in the end, that name isn't nearly as important as how much the product costs, whether it "looks good" or what kind of warranty it bears.

The dealer, then, could be paying suppliers for brand name support when, in fact, consumers aren't demanding it, or could be developing a private label program that turns out to be extraneous to a product's sale.

In several cases, the study found that brand recognition is superseded by a consumer's preference toward one store, and the value he places on that store's service, selection, delivery, credit policy.

More than three-fifths of all the households in the study showed a preference for one store in their buying of all the products mentioned, with 25 of the 40 items receiving an 80% store preference response. In addition, the study's national mean average among consumers for store importance, based on a one-to-nine scale, was 4.18. (The study gives the mean average for store importance on each of the products listed.)

On lumber/plywood, store doors/windows and, to a lesser degree, gutters, insulation and sheet vinyl, the store is more critical to a customer's buying patterns than brand name, and on these products the dealer's marketing efforts could have a definite effect on overall sales.

A more complete product merchandising and marketing strategy can also be formed on a product-by-product basis when store and brand importance are in combination, so dealers can assess how much leverage these factors have in generating the sales of each product group.

By comparing the relative mean store and brand importance averages for every item, and plotting these on a scatter diagram, the study has broken the products into four clusters that indicate what factors tend to drive consumers buying decision and how dealers could be merchandising these items most effectively.

The first quadrant is products that registered both high store importance and high brand importance, such as caulking, paint, hand, portable and stationary power tools, water heaters, ceiling fans and floor tile. When these two factors are leveraged together the study suggests that dealers have the potential to develop "killer" departments, for these products. If the store's image and the strength of the brand name are combined in a high profile treatment in the store, retailers can generate higher sales and profits, and help draw traffic to other departments.

(It is not surprising that many of the products in this quadrant are the ones in which Sears is the dominant retailer, where store and brand are virtually synonymous. Hechinger has also taken this tack recently by remerchandising its stores' tool departments to feature Black & Decker's well-known line in equal partnership with the chain's own status among shoppers.)

*(Continued on page 69)*

**Product Buying Anatomy**

### Importance of brand in buying decision

All U.S. households — Mean rating 1 = low/9 = high

| Rank by brand rating | Product | Mean brand rating | % of households specifying brand preference (rank) |
|---|---|---|---|
| 1 | Stationary power tools | 7.04 | 75.9% (2) |
| 2 | Portable power tools | 6.53 | 78.5 (1) |
| 3 | Wall/house paint | 5.59 | 58.1 (3) |
| 4 | Garage door opener | 5.25 | 55.3 (4) |
| 5 | Faucets | 5.01 | 38.3 (9) |
| 6 | Hand tools | 4.93 | 51.3 (5) |
| 7 | Power lawn mower | 4.71 | 43.5 (7) |
| 8 | Water heater | 4.61 | 33.3 (10) |
| 9 | Floor tile | 4.53 | 32.8 (11) |
| 10 | Locksets | 4.49 | 42.6 (8) |
| 11 | Ceiling fan | 4.39 | 31.8 (13) |
| 12 | Sheet vinyl | 4.37 | 49.4 (6) |
| 13 | Window blinds | 4.31 | 30.9 (15) |
| 14 | Caulking/sealants | 4.14 | 31.4 (14) |
| 15 | Storm doors, windows | 4.05 | 15.9 (23) |
| 16 | Painting tools | 3.89 | 24.3 (18) |
| 17 | Home insulation | 3.78 | 32.7 (12) |
| 18 | Sprinkler | 3.65 | 28.3 (17) |
| 19 | Kitchen sink | 3.63 | 17.7 (21) |
| 20 | Wallpaper | 3.46 | 14.4 (25) |
| — | Bathroom sink, vanity | 3.46 | 23.6 (19) |
| 22 | Roofing | 3.45 | 10.6 (30) |
| 23 | Wall paneling | 3.36 | 11.6 (29) |
| — | Ceiling tile | 3.36 | 29.8 (16) |
| — | Interior light fixtures | 3.36 | 10.5 (31) |
| 26 | Fencing | 3.23 | 14.2 (26) |
| 27 | Plumbing, pipes, fittings | 3.21 | 19.3 (20) |
| 28 | Paint brushes, rollers | 3.11 | 12.6 (27) |
| 29 | Lumber/plywood | 3.08 | 10.1 (32) |
| 30 | Replacement windows | 3.02 | 15.3 (24) |
| 31 | Molding | 3.01 | 0 (40) |
| 32 | Gutters, downspouts | 2.93 | 6.8 (34) |
| 33 | Kitchen cabinets | 2.92 | 12.0 (28) |
| 34 | Electrical sockets, switches | 2.85 | 16.3 (22) |
| 35 | Electrical wiring, cable | 2.75 | 5.5 (37) |
| 36 | Medicine cabinet | 2.71 | 4.2 (38) |
| 37 | Mirror tile | 2.66 | 5.7 (36) |
| 38 | Shower door | 2.53 | 4.0 (39) |
| — | Garden hose | 2.53 | 6.5 (35) |
| 40 | Screws/nuts/bolts | 2.49 | 7.6 (33) |

Source: *National Home Center News,* Leo J. Shapiro & Assoc. 1984

- *The importance of brand varies widely with stationary tools at the top of the list, getting a rating of 7.04, and fasteners at the bottom of the list, with a brand rating of 2.49. In general, consumers seem to place greater emphasis on the store where they buy a product than they do on who makes a product. And, the degrees of brand preference, product to product, vary widely.*

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*NHCN*'s 1984 Consumer Attitude Survey

# Brand importance varies among 40 products

*(Continued from page 66)*

The second quadrant finds products that received high store importance grades but lower brand importance, such as paint brushes, lumber, kitchen cabinets, wallpaper and lighting fixtures. In this group, who sells the product is far more important than who makes it, the consumer buying decision. This suggests that opportunities abound for dealers to develop private label programs for selected items but would be wise to use high quality generics to help maintain the image of the store as one that stocks high quality products.

In the third quadrant, consumers attach a good deal of importance but don't really care where they make the purchase. Retailers need to be particularly sharp on price when selling these products which include sprinklers, lawn mowers, garage door openers, insulation, sheet vinyl flooring and locksets. Dealers should be careful in making a substantial investment however in their marketing support of this product group because with a lower degree of store loyalty on these products, promotion could help the competition as much as it helped the home center promoting the product.

The fourth and final quadrant shows products where little store or brand importance is associated with the buying decision. Roofing, fasteners, gutters, wall paneling, electricals, shower doors, fencing and garden hose are among these kinds of products. (That consumers gave fasteners such a relatively low score here suggests the branded marketing campaigns being waged by such suppliers as Stanley, Swingline, VSI and Arrow could be falling on deaf ears.) However, the study also suggests that consumers simply place a higher priority on product features—the materials they are made of, craftsmanship, design and value—than on who actually makes these products or who sells it. Such marketing investments could, in fact, elevate the importance of brand in the future to consumers.

The Consumer Attitude Study states that dealers selling these products in the low store/low brand quadrant should make sure their stores maintain an adequate supply of the goods, and that the departments selling the merchandise are, for the most part, self-service, so that merchandising and operational investment can be committed to those product groups that need it most.

**Product Buying Anatomy**

### What homeowners expect to spend on home improvement projects
by product purchase*

| Rank | Product | Expected expenditure (mean $'s) |
|---|---|---|
| 1 | Plumbing, pipes, fittings | $7,903 |
| 2 | Electrical wiring, cable | 7,384 |
| 3 | Kitchen sink | 7,287 |
| 4 | Floor tile | 6,886 |
| 5 | Medicine cabinet | 6,787 |
| 6 | Home insulation | 5,580 |
| 7 | Kitchen cabinets | 5,553 |
| 8 | Bathroom sink, vanity | 5,315 |
| 9 | Caulking, sealants | 5,234 |
| 10 | Int. light fixtures | 5,219 |
| 11 | Ceiling tile | 5,179 |
| 12 | Water heater | 5,033 |
| 13 | Ceiling fan | 4,894 |
| 14 | Storm doors, windows | 4,864 |
| 15 | Mirror tile | 4,824 |
| 16 | Shower door | 4,805 |
| 17 | Screws, nuts, bolts | 4,783 |
| 18 | Window blinds | 4,756 |
| 19 | Replacement windows | 4,747 |
| 20 | Gutters, downspouts | 4,698 |
| 21 | Paint brushes, rollers | 4,619 |
| 22 | Garage door opener | 4,528 |
| 23 | Faucets | 4,518 |
| 24 | Portable power tools | 4,494 |
| 25 | Molding | 4,467 |
| 26 | Stationary power tools | 4,286 |
| 27 | Wall paneling | 4,238 |
| 28 | Wallpaper | 4,076 |
| 29 | Lumber/plywood | 3,963 |
| 30 | Roofing | 3,834 |
| 31 | Sprinkler | 3,775 |
| 32 | Painting tools | 3,637 |
| 33 | Wall/house paint | 3,600 |
| 34 | Hand tools | 3,557 |
| 35 | Electrical sockets, switches | 3,443 |
| 36 | Locksets | 3,154 |
| 37 | Floor coverings | 2,925 |
| 38 | Fencing | 2,824 |
| 39 | Power mower | 2,653 |
| 40 | Garden hose | 2,592 |

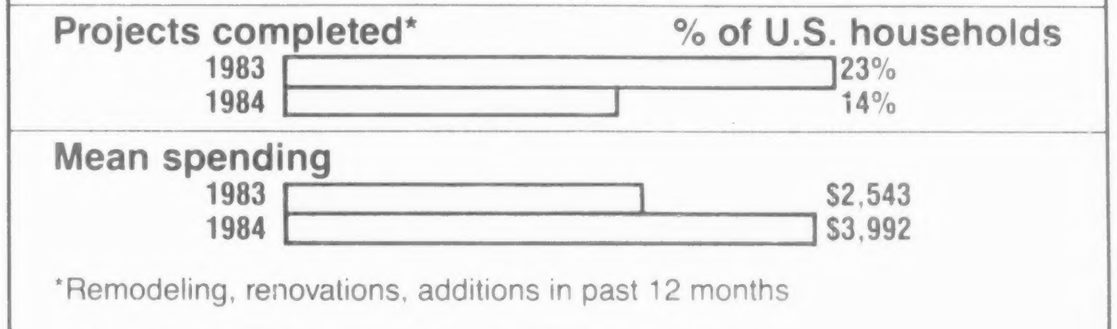
*Figures are estimates by those who planned to buy each product, who indicated they "definitely" or "maybe" planned a major home improvement project in the next 12 months.

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

*Seemingly low ticket product purchases can translate into a future big ticket project expenditure. Households planning to buy plumbing fittings or electrical wiring who also plan major home improvements, expect to spend much more on those projects in the coming year than households buying such products as power tools, lumber and locksets.*

**NHCN Home Improvement Update**

### Home improvement activity down; spending up



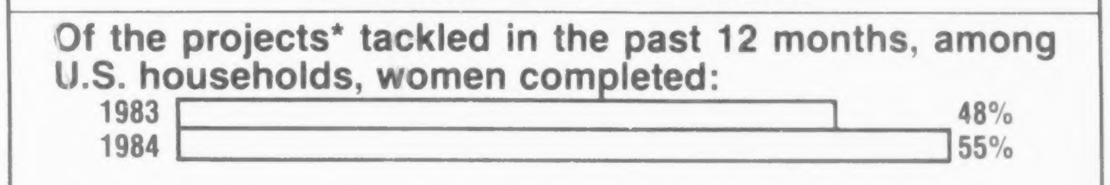
*Remodeling, renovations, additions in past 12 months

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

*The number of home improvement projects completed in 1983 dropped sharply—by one-third—from 1982, but the size of a project rose nearly 60% in dollar expenditures per project. Thus, the industry prospered from fewer but bigger projects in 1983.*

**NHCN Home Improvement Update**

### Women did the work



*Remodeling, renovating, major home improvements

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

*In 1984, women completed the majority of major home improvement projects.*

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# Manufacturers urged to voice opinions to Gov't

*(Continued from page 4)*

counterfeiting and dumping. "We have to stop these illegal and pernicious acts," he said.

Jeffrey Lange, a former official with the International Trade Commission and currently working with the minority trade council of the Senate Finance Committee, told the audience that the impression that Congress was protectionist was "a myth," and explained that the mood of most Congressmen was to promote fairness. "But fairness means one thing to the I.T.C. and another thing to the Justice Department."

He noted that more and more industries which, at one time, favored free trade were now seeking Government quotas and protection. And, he added, the current administration could be pressured politically to grant such concessions,

He predicted, therefore, that subsidies of some kind could be forthcoming from the Government to industries as part of an evolving Industrial Policy, that he feels will deal with other countries on a regional, instead of multinational, basis. But Lange noted that it was more likely that Congress would help smaller industries because "they can do that and save jobs without upsetting any national policy or mandate."

Michael Aho, a trade analyst working with Sen. Bill Bradley (D-N.J.), also indicated that subsidies to make American industries more competitive may be in order. "The United States is the only industrial country where subsidies as a percentage of the Gross National Product have not increased over the last decade."
feited goods was needed, and he expected a "major" piece of legislation to be introduced to Congress by 1986. "The objectives, reforms and structure of that bill will depend on what indsutry needs, so your voice needs to be heard early," he told the group.

However, Aho blamed most of this country's import problems on the 25% overvaluation of the dollar on international markets, which, in essence, imposes a "25% tax" on American producers. "Our currency is really out of sync with the world market, and it may take three years to right itself," he lamented.

Alan Wolff, a local attorney with vast experience in trade negotiations for the Government, said the dollar problem was compounded by the dilemma of the International Monetary Fund's recommendation to developing countries with huge debt to export as much as they could to the United States and other countries, putting even more pressure on American products. "It's not exaggerated to say that the U.S. Treasury is, in essence, 'paying' the banks owed these huge loans on the backs of United States manufacturers," he said, adding that 70% of all American products now had foreign-made competition.

Wolff said the mood in Congress right now was that foreign trade is "unfair," and he, too, though major trade reform could be debated as early as next year. He also pointed to pending anticounterfeiting legislation still in front of the Congress as positively affecting future American competitiveness.

But he noted that it was incumbent on manufacturers to air their grievances coherently to legislative and Administration officials, who Wolff said were very responsive to receiving support from American companies. "The way legislation affects your industry is entirely in your hands," he said.

Sen. Ernest Hollings (D-S.C.) told the AHMA members that the United States had been in a "trade war" for the last 25 years, "and the United States has not been in attendance since the last quarter."

"We have Japanese robots assembling Japanese parts and we're calling them American cars," he said sarcastically.

Hollings, who briefly ran as a Democratic nominee for president, said that "we need a Government on our side, and if you took the current laws and enforced them, you'd be all right."

He suggested that a Trade Council similar in structure to the National Security Council under the aegis of the President be enacted to counteract the erosion of American products domestically and on the international market. However, he noted that American businessmen are generally opposed to that sort of thing, "and don't want to get anything done right now because American industry has a higher priority: re-elect Ronald Reagan."

A similar message was relayed by Rep. John LaFalce (D-N.Y.), who chairs the House subcommittee on economic stabilization.

He stated that that "arsenal for assisting industry is already gigantic," noting that more than $100 billion were spent last year on Federal aid programs to business. But, he said, this aid has not been focused on international competitiveness.

# *Hardware makers debate import strategies*

*(Continued from page 4)*

many complaining about Government regulations, labor costs and other factors that they say drain profits from their coffers.

However, Fernando Halpern of Red Devil made an impassioned and convincing argument that United States manufacturers have faltered in the world market partially because they have yet to understand "cultural differences" of other countries.

He alluded to an executive of a $75 million company he knew that did not know where Brazil was, and stated that American businessmen show a remarkable ignorance about culture, literature and business of other societies.

Most of the hardware manufacturers, in spite of their skepticism about the Government and the prospects for manufacturing in the country, want to produce here, and are pragmatic enough to realize that they need Government to combat illegal imports. The last part of the forum was used to discuss possible methods of action.

John Yochelson, of the Georgetown Center for Strategic and International Studies who moderated the Forum, suggested that the hardware industry "needs to have its objectives and compromises in sync" when approaching Washington for help.

On the basis of the information discussed during the two-day forum, Yochelson said AHMA's trade agenda should focus on "forcefully addressing" this country's budget deficit, its currency valuation and its macro-economic structures.

He also said that manufacturers needed to press the Government to force other nations to relax tariff barriers and open up their markets for United States exports. And, perhaps most importantly, Yochelson said the industry needed to lay out exactly what it wanted the Government to do about import penetration into the United States. "In many respects, the ball's in your court."

# Erb's fiscal comeback focuses on consumer

*(Continued from page 3)*

By this fall, Snyder plans to have additional merchandising ideas installed in the store, which was increased in size from 4,000 to 10,000 sq. ft. These include expanding the plumbing department from its current 50 linear feet, and labeling individual grades of lumber by hanging signs from chains.

While the Royal Oak store presents a picture that is far more glamourous than the traditional Erb lumberyard with its uninspired merchandise presentations, Snyder pointed out that a prototype for the chain has not yet been developed.

Indeed, company president Fred Erb has emphasized that the remerchandised store does not possess the degree of sophistication the stores in his chain need in order to battle for the consumer dollar.

"The presentation there [in the Royal Oak store] is not the best merchandising," said Erb. "I'm talking about the kind where you walk into the store and the presentation tells you to buy."

While Erb stated that he wants to start working toward uniform merchandising "as soon as we can," it's clear to the visitor that the chain faces a formidable challenge in bringing all of its stores into a posture of unified product presentation that will allow the company to get the biggest return on its advertising dollar, and develop a synergy in the minds of consumers.

**Acquisitions hurt uniformity**

The reason behind this problem is that Erb Lumber has always expanded by acquisition rather than by new construction. While this strategy has helped the chain in the sense that acquiring an old (and often financially troubled) store is less expensive than purchasing a new one, and that an acquired store brings with it trained personnel that are becoming ever more difficult to obtain otherwise, the unfortunate negative aspect is that every Erb store has a different size and layout. Furthermore, many of them possess the smaller footprint characteristic of traditional contractor yards. Developing a unified corporate look for stores with such disparity will be extremely difficult.

The most dramatic need for a uniform prototype is in the Detroit area where Erb, with its six stores, is outnumbered by Church's Lumber Yards' 12, Forest City's seven, Pine Lumber Cashway Stores' 12, and a number of independents, such as John R. Lumber with three stores.

Further, the market has begun the heat up. Most recently, Church's opened a new store in September just five miles from Erb's $4 million outlet on Farmington Road in Livonia, Mich.

"Church's was sending us a signal, about what would happen if we don't wake up," said Snyder, who added that the new store has a negative impact on the business at the Farmington Road store. "Obviously, we didn't scare them out of town," he added wryly.

Snyder noted that Church's has been looking at other real estate locations near Erb stores, and about a year and a half ago went to more aggressive, full page newspaper ads.

Church's has also taken some merchandising steps that Erb has not. These include a memorable logo, brightly colored graphics on the front of its stores, aisle identification signs, and more attractive point-of-purchase displays.

Furthermore, earlier this year Forest City began taking steps to more fully cultivate the lumber market by emphasizing the product in its newspaper ads.

While the chain will be reformatting in the months ahead, the goal of greater corporate control of merchandising is being enhanced.

The consolidation of kitchen cabinets and windows, and other merchandise in a single DC means that stores can be serviced once or twice a week for the products, compared with the once every two weeks they were serviced before. As a result, stock outs at stores are reduced.

# *Television ad spending tops $4M*

*(Continued from page 3)*

in first place on the list, with $1.25 million spent on TV advertising in January through March 1984, compared to last year's $895,000. The biggest climbs were for its Payless and Furrow units, which increased their ad spending by 49% and 40%, respectively.

However, the biggest jumps in ad spending within the top 15 chains were made by Lowe's, based in North Wilkesboro, N.C., and Mr. Goodbuys, based in Philadelphia. Both these companies are currently expanding their market bases.

Lowe's 119% jump from $50,400 last year to $110,400 this year is probably due to the 240-unit chain's on-going strategy to increase its market share of retail customers.

Meanwhile, Mr. Goodbuys' advertising manager, Roger Sless-kitain, attributes the four-unit chain's 112% increase to the company starting to advertise in the New York market, and to the overall expansion of market share being gained by all of its stores.

Irvine, Calif.-based Builders Emporium stood out on the list for having a sharp 77% decline in TV ad spending, from $502,200 last year to $115,300 this first quarter. No one from the company was available for comment.

Similarly, the Home Depot posted a 17% drop in TV ad spending during January/March 1984, from $304,700 last year to $251,700 this year.

However, the numbers may not completely reflect Home Depot's TV ad activity. Home Depot spent significantly in Phoenix, but these figures reflect TV time purchased, and not how much, if any, is reimbursed with co-op money; and an unknown amount is credited to manufacturers instead of local stores.

In addition, four companys which were not advertising during the first quarter of 1983 entered the top-15 list this year.

That one of these "newcomers"—Home-Pro Warehouse—rocketed to fourth place, spending $381,900 for the period of January through March, reflects the mushrooming of warehouse stores.

The Texas-based Home-Pro Warehouse opened its first store in May 1983, had five stores by Jan. 1, this year, and plans to have 11 by the end of 1984.

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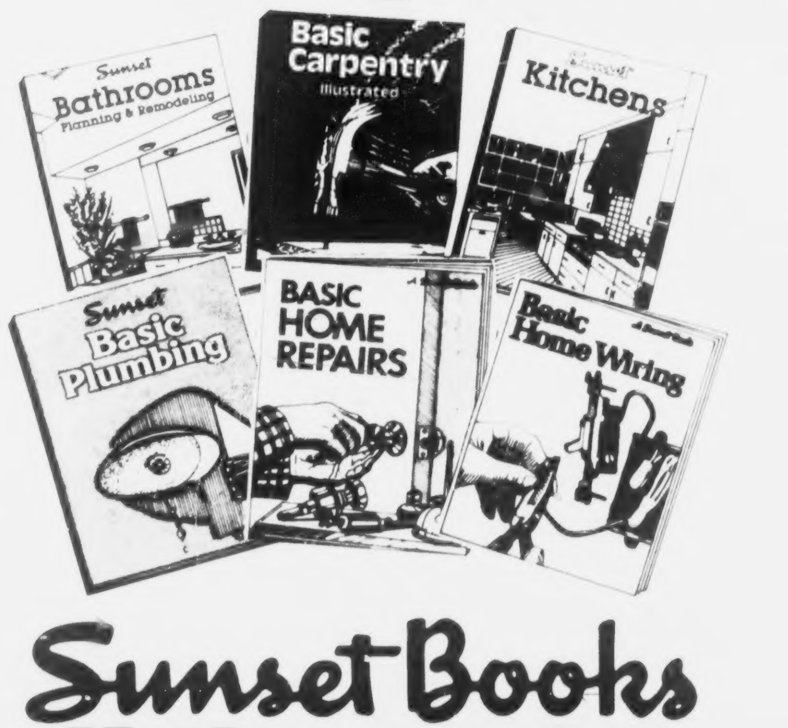

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**HOME CENTERS' HARDWARE EDGE**
*Home centers are adding more merchandise and square footage to their profitable hardware departments, the subject of an NHCN special section that begins on page 39 and includes department layouts of four major chains, including The Home Club (above).*

# HOW moving into 8 states with 12 units by year end

**By Phillip M. Perry**
*NHCN associate editor*

COCONUT CREEK, Fla.—HomeOwners Warehouse plans to open 12 stores in eight new states by the end of this year.

The company expected to launch its third store, a 70,000-sq.-ft. warehouse operation with an attached 10,000-sq.-ft. garden center in Augusta, Ga., this month. The new store, with a showroom that is some 10,000 sq. ft. larger than former HOW stores, takes the company out of its home state of Florida for the first time.

HOW has also nailed down leases in the previously unannounced cities of Melbourne, Fla., Tampa, Fla., Virginia Beach, Va., Hampton, Va., Langhorne, Pa., Turnersville (Camden), N.J., and Oklahoma City, Okla.

Additionally, the company has signed leases in the previously announced cities of Jacksonville (Orange Park), Fla., Nashville, Tenn., Chicago (Burbank) and Columbus, Ohio.

"At this point it looks as though we will open three stores in October, three in November and three in December, with the rest spilling over into early next year," said Pat Sher, president of HOW.

Shortly after its acquisition by Service Merchandise in June of 1983, HOW said it would be a four-store chain by the end of the last year. The fact that the company did not expand to more than two stores, even though its acquisition by Service Merchandise was supposed to provide an opportunity for accelerated growth, sparked questions in the industry about the chain's intentions.

However, Sher indicated earlier this month that the delays were a natural outgrowth of the company's desire to get the right site deals and, as importantly, top level personnel for its store management teams.

"Part of the reason we delayed openings was the time involved in getting the right store personnel," said Sher. "We became very concerned that we have our team put together [be-

*(Continued on page 93)*

# *Expansion persists despite tumbling housing trend*

**NHCN staff roundup**
*Written by senior editor*
*John Caulfield*

NATIONAL REPORT — A year ago, the industry was in the throes of its most successful summer, with many home center chains reporting record sales and earnings.

Sales are still strong for most companies, but the industry as a whole appears to have slowed down a bit. A combination of bad weather, dropping commodity prices and erratic housing starts due to the creeping effects of high interest and mortgage rates have all contributed to this leveling off.

Dealers claim these factors have thus far impacted their businesses only marginally. They note, though, that something will need to be done after the November Presidential election to bring interest rates and the budget deficit down to ensure sales and profit growth in the industry and throughout the economy.

But for the time being, retailers and wholesalers are taking a "live for today" attitude. They do not see economic downturn coming for the rest of the year, and are cheering on 1984 with expansion, advertising and remodeling programs that reflect their optimism.

"If you plan to do less business, you will," said Ed Seymour, president of Forest City in Cleveland. "We're increasing inventories right now beyond plans, and we're aggressively promoting. We look for a continuation through the third quarter of the conditions that existed in the first half."

C. C. Snyder, vp merchandising for Builder Marts of America, the Greenville, S. C., dealer services group, noted that the industry was envincing "the appearance of caution." But after experiencing an "excellent" first half, he said, BMA "is still banking on strong sales for the rest of the year."

Most industry executives

*(Continued on page 94)*

## NEWSBREAKS

**HANDYMAN SELLS OFF HOMER'S STORES.** Handyman, the San Diego chain, has agreed to sell 15 of its 21 Texas and Oklahoma stores to Ross Stores Inc., an off-price apparel retailer in San Francisco. This deal, coupled with the eventual sale of its other six stores in the market, the liquidation of its inventory and the sale of its Texas distribution center, is expected to net Handyman $40 million in cash.

## INSIDE:

Scotty's will battle HomeOwners Warehouse in Jacksonville, Fla., with a new store format by year-end . . . . . . . . **Page 2**
*NHCN* survey examines the impact of warehouse stores in the volatile Phoenix market . . . . . . . . . . . . . . . . . . . . . . 15-22
The 1984 National Hardware Show preview . . . . . . . 31-33

### WICKES REALIGNMENT:

# *Chanin resigns; Sigoloff plans to stay*

**By Brad Altman**
*NHCN West Coast editor*

SANTA MONICA, Calif. — In the highest-level management change since Wickes Cos. began Chapter 11 proceedings in April 1982, Jeffrey Chanin, excutive vp and part of the three-member office of the chairman, has left the company.

Chanin's departure followed the decision by Sanford C. Sigoloff, 53, Wickes chairman, president and ceo, to enter into a five-year employment agreement with the company.

Earlier, industry observers had speculated that Sigoloff would resign at an unspecified time following Wickes' emergence from bankruptcy proceedings, creating a vacancy that Chanin would fill.

"Several others had commented to me that that was their expectation," said Chanin. "I guess life is full of surprises."

Chanin, 43, has been on vacation and leave of absence from Wickes since his departure June 25, and is expected to finalize a formal termination agreement—including resigning from his director's seat—when the company's reorganization plan is approved.

His departure was revealed in a disclosure statement that also contained previously reported details of the reorganization plan. With court approval of the disclosure statement (*NHCN*, July 16), Wickes' creditors, shareholders and bondholders are now being mailed ballots to vote on the plan.

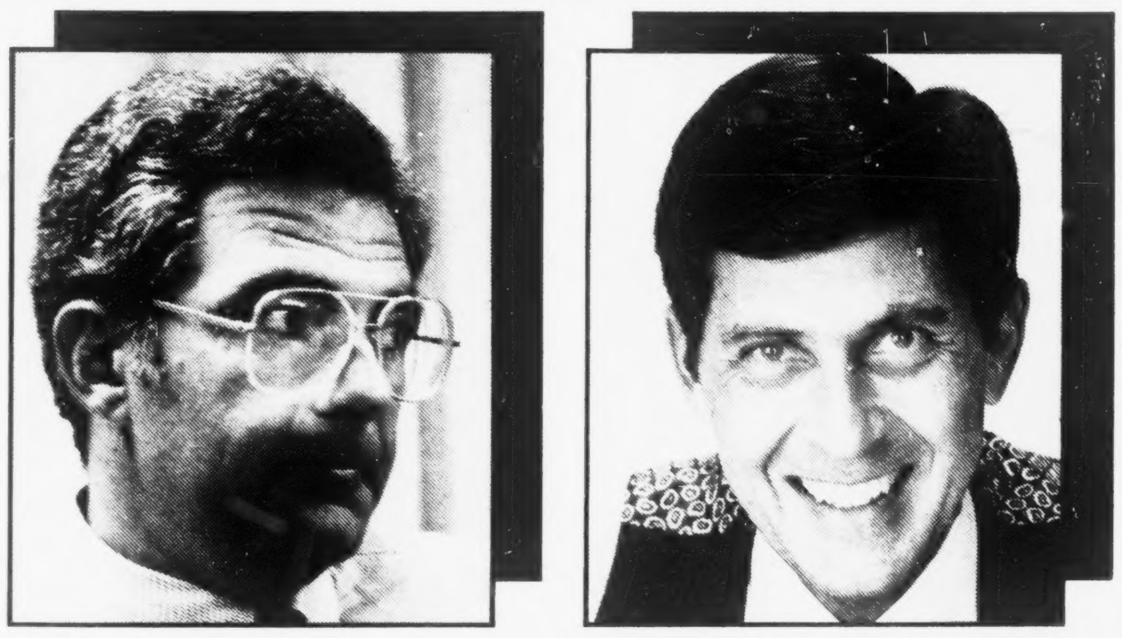
If they approve the plan, final court confirmation hearings would be scheduled in late September and an initial cash distribution would take place in late December.

The disclosure statement said Chanin is leaving Wickes by "mutual" agreement.

"I had a job that I found interesting and challenging, and when it was over I was looking for something else to do," said Chanin, who, as the No. 2-ranking executive of Wickes and former bankruptcy attorney, was a principal architect of Wickes' reorganization plan.

"I want to take it easy a little bit," Chanin continued. "Basically, I'll be looking for another challenge shortly."

*(Continued on page 93)*



*Jeffrey Chanin (left), part of the three-man office of the chairman that helped guide Wickes through Chapter 11 proceedings, resigned shortly after the decision by Sanford C. Sigoloff, chairman, president and ceo, to remain at the company for five more years.*

NHCN photos

### K MART UPDATE

# *Discounter made Denny offer too good to refuse*

**By Kenneth Schept**
*NHCN executive editor*

**SAN ANTONIO — In May, soon after K mart and Hechinger abandoned plans to open warehouse home centers together, K mart was contacted by William K. Woodruff & Co., a Dallas investment banking firm representing Home Centers of America.**

**HCA chairman Frank Denny actually was not inclined to sell the nine-store Texas warehouse home center chain that he had helped form just 15 months earlier in February 1983. He had rebuffed suitors before and this was an unlikely time for him to be successfully romanced.**

**It was a year since his first store opened in San Antonio over Memorial Day weekend, 1983. After four quarters of losses the chain had shown its first profit—a net of $782,742 on sales of $23,267,390.**

**In addition, 2,420,000 warrants, issued as part of the original public offering, were soon to be redeemed at $5 per share, a conversion that would provide roughly $12 million and dispell any doubt that the start-up company**

*(Continued on page 93)*

**NHCNews Briefs**

# Industry Update

## Barton replaced at Belknap

LOUISVILLE, Ky. — At presstime, *NHCN* has learned that Jerry Barton, who had served as Belknap's president for more than four years, has been replaced by the company's new owners with Frank Lambert, previously an industry consultant.

Also resigning from the company was William L. Seale, its secretary treasurer, who has not been replaced. In April, John R. Baker, Belknap's director of purchasing, had resigned.

Belknap, a hardware wholesaler here, had been merged with the Concord Corp. division of Humana, a health care company, on June 29 after a very tough investors' battle that included a failed attempt by a group headed by Barton to take the company private through a leveraged buyout.

After the merger, Humana's chairman, David Jones, decided to bring in his own management team headed up by Lambert, who had run his own consulting firm, Rogers and Lambert, in Louisville. "Replacing Jerry was strictly a business decision," Lambert explained. "It's not unusual for new owners to want to start fresh with new management." He added that he has had a "longstanding personal and business relationship" with Jones.

Barton, who officially resigned on July 10, had told *NHCN* that he had expected to remain as Belknap's president (*NHCN*, May 7), and anticipated only minor changes in the company's management format.

He was scheduled to be the keynote speaker at next month's National Hardware Show in Chicago. He will be replaced by Richard Lambert, humanity director for the National Retail Hardware Assn.

## Goodbuys plans 2 whse outlets

PHILADELPHIA — Mr. Goodbuys plans to launch two 100,000-sq.-ft. warehouses in September.

The units will be located in the Philadelphia western suburb of Springfield and in Cedonia near Baltimore.

Next year the chain plans to open a minimum of five outlets, which would more than double its current store count. The chain now operates two units in Philadelphia, one in Baltimore and one in Metropolitan New York and Union, N.J.

By the end of 1985, Mr. Goodbuys should be in a new market, according to Steve Erlbaum, president. He declined to specify the market but acknowledged that the company is exploring site possibilities in Washington.

He said that the company plans to double its business each year for the next several years. With four stores last year the company achieved about $26 million in sales.

Mr. Goodbuys had 105,000 sq. ft. of selling area at the beginning of last year and shortly after year's end had added more than 65,000 sq. ft. by relocating the Union, N.J., store to a nearby, larger location and expanding the other existing stores.

Total sales for the four-store chain now exceed $10 million per unit, according to Erlbaum.

The new stores set for September will involve untypical retrofit situations. In Baltimore the company is gutting a mall and converting the entire strip into a Mr. Goodbuys store.

The new Philadelphia outlet will take shape inside a former helicopter plant.

National
Home Center News

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Vol. 10, No. 16 July 30, 1984

# Scotty's unveils two new formats to solidify Florida market position

By Phillip M. Perry
*NHCN associate editor*

WINTER HAVEN, Fla. — When Scotty's goes up against HomeOwners Warehouse in Jacksonville, Fla., at the end of this year, it will be with a much different store than the units it used to compete against warehouse operators such as Home Depot and Lindsley in the past.

The company has identified that city, along with Ocala, Fla., as the first two sites for its larger formats that have been developed to help the chain compete in a changing Florida marketplace.

Slated to open in December of this year, both the Jacksonville and Ocala Scotty's will have 49,000 sq. ft. of space under one roof. Some 28,000 sq. ft. of that space will be an air-conditioned showroom. This compares with the typical 39,000 sq. ft. of space—7,200 sq. ft. of which was showroom—for the chain's traditional stores.

The Jacksonville store format is one of two new formats developed by Scotty's. The other, to be used in more rural stores, consists of 42,000 sq. ft. of space under one roof and 8,200 sq. ft. of air-conditioned space (*NHCN*, June 4).

Even if the showroom of the larger format proves to be too small, the chain can alter it by reducing the space in the warehouse section of the stores.

"Flexibility is the key word," explained company president Ray Cooney. "There's nothing to keep us from expanding the showroom still more" if the market demands it.

The larger showroom is specifically designed to help the company compete against warehouse stores such as the one HOW announced it would open in Jacksonville this year.

Although there are no warehouse stores currently serving the Jacksonville area, HOW has broken ground for a warehouse store to be opened this fall, and both Home Depot and Lowe's have been reportedly looking for one or two sites in that city. Scotty's currently has seven home centers of trasitional design in the market.

"What we are saying is that there is more than one way to go to market," added Cooney, in explaining the reasoning behind the development of the two new formats. "We will use the larger format in larger metropolitan areas that are subject to the approach of warehouse home centers, and the smaller format in rural or semirural areas."

Over the next 12 months, Scotty's plans to construct 10 new home centers. All of them

*(Continued on page 4)*

# High mortgage rate, home prices deal double housing market blow

WASHINGTON — High mortgage rates and rising home prices caused existing homes to be less affordable in May than April, according to the National Assn. of Realtor's affordability index.

The May index stood at 87.2, a drop of 0.6 percentage points over the previous month, when the index reached its highest point in four and a half years.

However, Dr. Jack Carlson, chief economist with the association, sees this slight decline as significant and a "further blow to housing affordability." He believes that as interest rates climb the index could fall to between 78 and 82 in the next four quarters.

May's affordability index means that a household earning the United States median family income of $25,420 had 87.2% of the $29,148 needed to qualify for a mortgage on a median-priced resale home. This home cost $73,300 in May, so that the household would have been $3,728 short of the necessary funds.

Although interest rates on conventional fixed-rate mortgages rose to 14.34% in May, their full impact on homebuyers and the houses they could afford was lessened by the continuing influence of adjustable rate mortgages (ARM's), which stood at a 12.07% interest rate for the first initial period. Over 64% of the mortgages closed by major lenders for resale homes in May were ARM's, according to the Federal Home Loan Bank.

Rising median house prices also made existing homes less affordable, with an $800 increase over April. Carlson said this was not unusual for the time of year, which is a peak selling period when demand usually boosts house prices. However, he expected prices to rise still further, with a 5.5% increase in 1984 and a 5.6% rise in 1985 to keep pace with inflation.

Meanwhile, the Builders Composite Index issued by the National Assn. of Home Builders raised questions about the strength of the housing recovery.

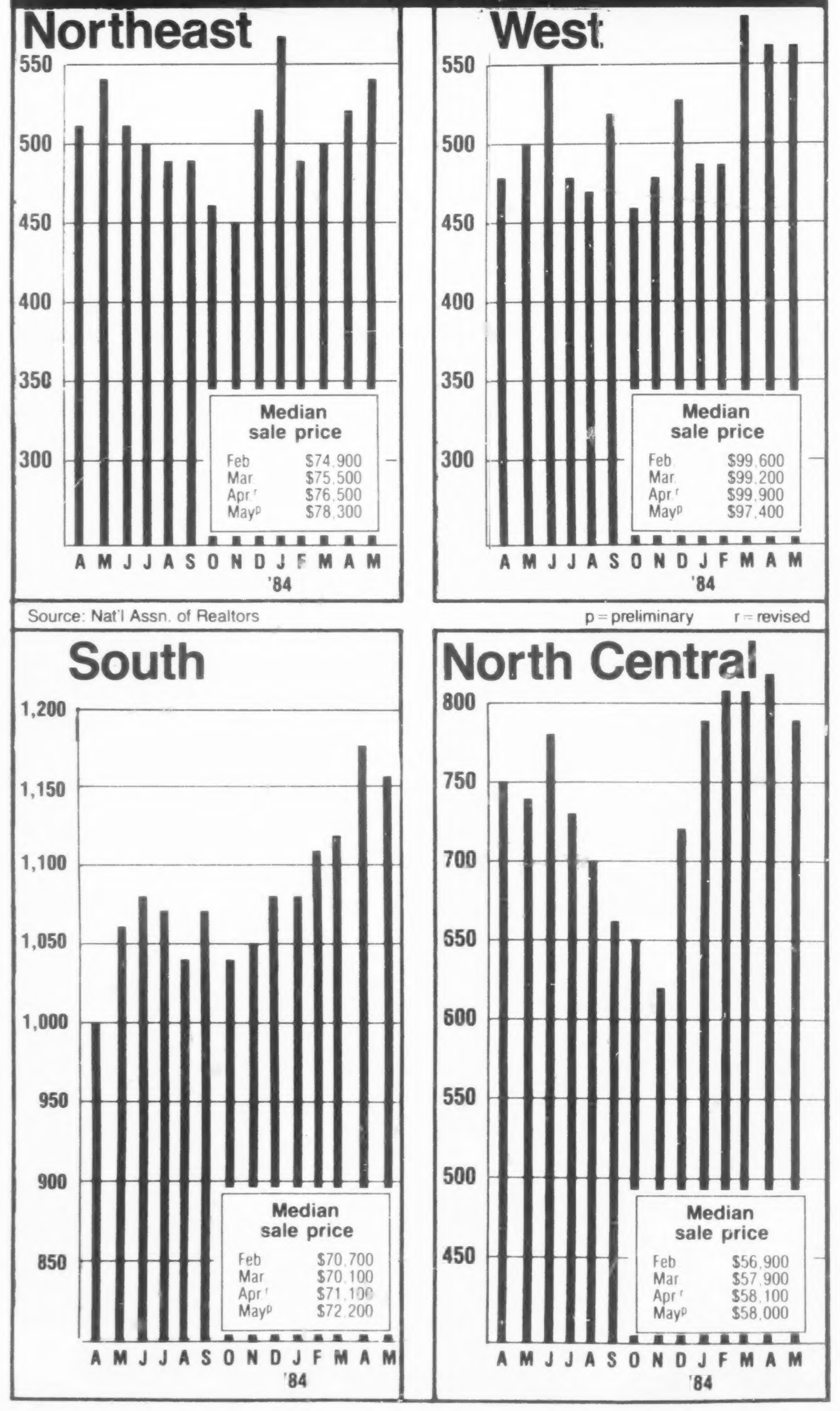
The index, an indicator of future housing activity, declined for the third consecutive month to 77% in May, down from a peak of 83.38% last August.

Ken. W. Colton, executive vice president of the NAHB said it "suggests that the current housing recovery peaked in February," and that unless mortgage rates decline housing starts will fall to 1.5 million seasonally adjusted units by year end.

This monthly index is made up of seven housing variables: building permits, Government National Mortgage Association figures, yields, lumber and plywood prices, the Producer Price Index for construction materials and the confidence index of home buying.

Builders expecting fair to excellent sales of new single-family detached homes had dropped from 83% in April to 68% in May, a steady decline since December's peak of 90%.

**Existing single-family home sales**
(in thousands)



Source: Nat'l Assn. of Realtors p = preliminary r = revised

*Existing home sales in May remained above the three million mark, but fell by 1.3% from April to 3.05 million units, seasonally adjusted, thus ending a five-month improvement, according to the National Association of Realtors. Home sales were down by 3.7% in the North Central region to 790,000 units and in the South by 1.7% to 1.16 million units. The May median resale home price for the United States rose by $800 over the previous month to $73,300. House prices in the West fell by $2,500 to $97,400 their lowest since October 1983.*

---

## SALES & EARNINGS

| Company | Period Ended | Current Sales* | Year-Ago Sales* | % Change | Current Earnings* | Year-Ago Earnings* | % Change |
|---|---|---|---|---|---|---|---|
| Color Tile | 5/30-1 mon. | $23,200 | $19,495 | 19.0 | — | — | — |
| Rickel Home Centers | 4/28-1st qtr. | 68,100 | 53,622 | 27.0 | — | — | — |
| Scotts Seaboard | 4/28-1st qtr. | 9,300 | 8,303 | 12.0 | $ 190 | $ 156 | 21.8 |
| Standard Brands | 4/29-1st qtr. | 77,800 | 67,711 | 14.9 | 4,600 | 3,495 | 31.6 |

*$ in thousands

Source: Company reports

## STOCK PRICES

| | | As of 7/10 | 52-week | | P/E Ratio |
|---|---|---|---|---|---|
| | | | High | Low | |
| Boise Cascade (NYSE) | | 34¼ | 45 | 32⅝ | 14 |
| Edison Bros. Stores (NYSE) [Handyman, Homer's] | | 34½ | 46¾ | 33¾ | 7 |
| Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley] | | 5⅛ | 19½ | 4⅞ | — |
| Forest City (AMEX) | A | — | — | — | — |
| | B | 15¾ | 20½ | 13 | 30 |
| W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard] | | 44 | 50⅜ | 36½ | 12 |
| Home Depot (NYSE) | | 23⅛ | 31¾ | 14 | 47 |
| Lowe's (NYSE) | | 20 | 30⅜ | 17½ | 13 |
| Michigan General (AMEX) [Diamond Lumber] | | 5 | 14 | 4⅝ | 26 |
| Pay 'N Pak (NYSE) | | 15¾ | 22 | 12¾ | 14 |
| Payless Cashways (NYSE) [Furrow] | | 15½ | 33½ | 15 | 12 |
| Scotty's (NYSE) | | 12⅝ | 18⅜ | 12¾ | 10 |
| Southwest Forest Industries (NYSE) [Knox Lumber] | | 18½ | 22½ | 12¼ | — |
| Standard Brands Paint (NYSE) | | 18⅝ | 26⅝ | 17⅛ | 10 |

### Nasdaq—over-the-counter stocks

| | | As of 7/10 | 52-week | | P/E Ratio |
|---|---|---|---|---|---|
| | | | High | Low | |
| Color Tile | | 14⅞ | 18¼ | 13⅝ | — |
| Hechinger | A | 18¼ | 24¼ | 13½ | — |
| | B | 18¾ | 24½ | 14 | — |
| Homecrafters Warehouse | | 12 | 17½ | 11¾ | — |
| Pay 'n Save | | 17 | 29¼ | 14⅜ | — |

### Over-the-counter stocks

| | As of 7/10 | | 52-week | |
|---|---|---|---|---|
| | Bid | Asked | High (Bid) | Low (Bid) |
| Erb Lumber | 18½ | 20½ | 25¼ | 16 |
| Hines Lumber | 36½ | 37½ | 41½ | 25½ |
| Home Centers of America | 9⅞ | 10 | 15½ | 6⅜ |
| National Lumber | 7½ | — | 13¼ | 5¾ |
| Scotts Seaboard [Scott's] | 2¼ | 3 | 5 | 2 |
| Wolohan Lumber | 4⅜ | — | 9¼ | 4⅛ |

**FINANCIAL NEWS**

# Scotts Seaboard's profits drop slightly in 1st quarter

LINTHICUM, Md. — Poor weather limited sales growth and gross margin declined while advertising and payroll expenditures increased resulting in slightly lower operating profits for Scotts Seaboard and its 17 Scott's stores in the first quarter ended April 28, president Earl R. Halterman Jr. explained.

Operating profit fell from $206,000 in the first quarter of 1983 to $195,000 in this year's first quarter.

Sales were up 12% in the period to $9.3 million as the weather curtailed sales of seasonal goods. Gross margins went down from 29.1% in the year-ago quarter to 28.8% in the first quarter this year at the Baltimore/Washington area chain, Halterman said.

The company showed a post-tax loss from continuing operations of $13,000 in the period compared to a loss of $18,000 a year ago, he said.

First-quarter income was increased by an extraordinary gain of $32,000 from an accelerated payment of debt to bring net income to $190,000 compared to net income of $156,000 in the first quarter of 1983. Net earnings a year ago included $99,000 of income from its discontinued Seaboard Plywood and Lumber wholesale division sold in July 1983 and a $75,000 tax benefit from the utilization of net operating loss carryforwards.

## Sales jump 14.9% during first quarter at Standard Brands

TORRANCE, Calif. — Net profits during the first quarter ended April 29 at Standard Brands Paint increased 31.6% to $4.6 million compared to year-ago figures, thanks in part to a 14.9% gain in sales, a better gross profit and a $322,000 gain from the sale of property, officials indicated.

The company's sales reached $77.8 million in the period with sales at Standard Brands Home Decorating Centers increasing 14.5% overall and 12.4% at stores opened for more than a year. Sales at the company's KWAL Paint division fell 1.6% from a year ago because of poor weather, according to officials.

Gross profit margins in the quarter rose from 44.89% a year ago to 44.98% this year, coming from productivity gains at Standard Brands' paint manufacturing plants, they said.

The company was also helped by the opening of three new stores in Orem and Ogden, Utah, and El Cajon, Calif., during the quarter, and by promotions for its Decade paint line and its Total Concept wall coverings line.

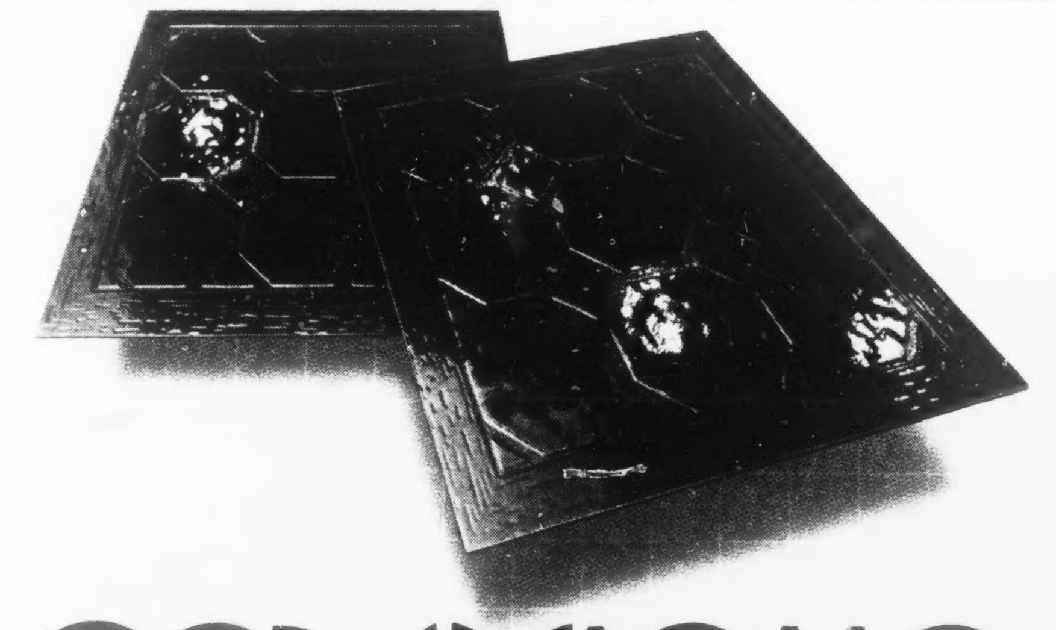
## Renovation expenses and whse opening slow Rickel earnings

WOODBRIDGE, N.J. — Sales were up 27% but operating earnings rose only modestly at Rickel Home Centers in its first quarter ended April 28, Leonard Lieberman, president of parent Supermarkets General reported.

### The reasons why

He blamed the small earnings growth on expenses relating to store renovations, including those at Rickel's first warehouse outlet in Warminster, Pa. (*NHCN*, July 2), as well as some increased promotional activity.

Rickel's first-quarter sales, helped by the opening of the chain's 37th store overall in Norwalk, Conn., reached $68.1 million, Lieberman said.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